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# U.S. Department of Agriculture

**VOL. 2**

## 1974 BUDGET EXPLANATORY NOTES

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Agricultural Stabilization and  
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Commodity Credit Corporation





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## AGRICULTURAL MARKETING SERVICE

### Purpose Statement

The Agricultural Marketing Service was established by the Secretary of Agriculture on April 2, 1972, under the authority of the Reorganization Plan No. 2 of 1953, and other authorities. The Service carries out all programs formerly performed by the Consumer and Marketing Service with the exception of meat and poultry inspection. Through its marketing and regulatory programs, it aids in advancing orderly and efficient marketing and effective distribution of products from the Nation's farms. Surplus agricultural commodities are purchased under Section 32 for distribution to schools, families, and institutions, and for emergency relief use.

The Agricultural Marketing Service carries on the following principal programs:

1. Marketing Services. These activities contribute to consumer protection and to the efficient and orderly marketing of agricultural commodities and include:
  - a. Market news service to provide timely and reliable market reports on all major agricultural commodities to help farmers determine when, where, and at what price to sell their products;
  - b. Inspection, grading, classing, and standardization services to:
    - (1) assure the wholesomeness of shell eggs and certain egg products intended for human consumption and produced in plants covered by the Egg Products Inspection Act of December 29, 1970;
    - (2) develop standards of quality and condition for agricultural commodities and to use them in providing an impartial inspection, classing and grading service; and
    - (3) participate in the development of international food standards; and
  - c. Regulatory activities covering administration of laws aimed at protecting farmers and others from financial loss resulting from deceptive, careless, and fraudulent marketing practices, providing assistance in obtaining and maintaining equitable transportation rates and services on farm supplies and products, and insuring that the provisions of the Cotton Research and Promotion Act, the Wheat Research and Promotion Act, the Agricultural Fair Practices Act, and the Plant Variety Protection Act are carried out.
2. Payments to States and Possessions. The Service administers the Federal-State marketing improvement program for marketing activities carried out through cooperative arrangements by State Departments of Agriculture, Bureaus of Markets, and similar State agencies.
3. Funds for Strengthening Markets, Income, and Supply (Section 32) and Marketing Agreements and Orders. Activities carried out by the Service directly or indirectly contribute to stabilizing prices received by farmers and establishing and maintaining orderly marketing conditions through:
  - a. Removal from the market of surplus agricultural commodities by purchase, diversion payments, and cooperation with the food industry and others to encourage greater consumption of abundant foods; and
  - b. Formulation and administration of marketing agreements and orders.

4. Food Management Preparedness. Pursuant to Executive Order 10998 delegating certain defense responsibilities to the Department, the Agricultural Marketing Service is assigned pre-emergency preparedness and emergency operations relating to management of food supplies and their post-attack distribution.
5. Work Performed for Others. The Agricultural Marketing Service also performs other services for Federal, State, and private agencies, on a reimbursable basis. These include, among others, the Agency for International Development-sponsored foreign advisory program.

A large part of the programs of the Agricultural Marketing Service is carried on through field branch offices of several Washington commodity and functional divisions in the various States, Puerto Rico, and Canada, and through individual specialists assigned to specific plants.

In the Agricultural Marketing Service, including the offices of the Milk Market Administrators, approximately 83% of the full-time employees and most of the part-time and intermittent employees are located in the field. About 69% of this total employment is financed through revenue from fees, charges, or other assessments and through joint financing or other arrangement with other Federal agencies, States, and private cooperators.

Available Funds and Man-Years  
1972 and Estimated, 1973 and 1974

Item	Actual		Estimated		Budget Estimate	
	1972		Available 1973		1974	
	Amount	:Man-:Years:	Amount	:Man-:Years:	Amount	:Man-:Years:
Agricultural Marketing						
Service:						
Marketing Services ....	\$31,451,011	1,785	\$34,082,000	1,772	\$34,865,000	1,776
Payments to States and Possessions .....	1,600,000	--	2,500,000	--	1,600,000	--
Total .....	33,051,011	1,785	36,582,000	1,772	36,465,000	1,776
Obligations under other						
USDA appropriations:						
Agricultural Stabiliza-						
tion and Conservation						
Service-for operation						
of commodity teletype,						
data on wheat exports						
by classes, and mis-						
cellaneous services ..	34,342	3	39,000	3	39,000	3
Agricultural Research						
Service-for cotton and						
cordage fiber and						
spinning tests .....	26,484	2	24,000	2	24,000	2
APHIS-for data process-						
ing services .....	233,717	2	420,000	7	420,000	7
Commodity Credit						
Corporation:						
For classing cotton						
and tobacco grading:	840,000	97	1,575,000	113	1,575,000	113
For classing loan						
cotton .....	350	--	350	--	350	--
For classing cotton						
under P.L. 480 .....	25,000	1	25,000	1	25,000	1
For warehouse exami-						
nation functions ...	3,000,286	150	3,082,000	155	3,266,000	166
Food and Nutrition						
Service-for commodity						
procurement, informa-						
tion, and miscellan-						
eous services .....	713,947	44	423,000	22	209,000	13
Statistical Reporting						
Service-for beef,						
steer, and heifer data:	41,440	5	40,490	5	40,490	5
Miscellaneous reim-						
bursements .....	96,696	4	85,600	6	85,600	6
Total, Other USDA						
Appropriations .....	5,012,262	308	5,714,440	314	5,684,440	316
Total, Agricultural						
Appropriation Bill:	38,063,273	2,093	42,296,440	2,086	42,149,440	2,092
Permanent appropriations:						
Funds for Strengthening						
Markets, Income, and						
Supply (Section 32) ..	765,887,346	546	959,086,821	570	930,000,000	529
Carryin .....	300,000,000	--	194,472,738	--	155,438,896	--
Recovery of prior year						
obligations ....	62,435	--	--	--	--	--
Deduct Carryout .....	-194,472,738	--	-155,438,896	--	-99,999,896	--
Deduct Transfers .....	-257,712,644	--	-147,323,663	--	-224,648,000	--
Deduct Allotment to FNS:	-333,788,641	-262	-599,606,000	-270	-527,060,000	-230
Net, AMS .....	279,975,758	284	251,191,000	300	233,731,000	299

(Continued on next page)



Item	Actual		Estimated		Budget Estimate	
	1972		Available 1973		1974	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Perishable Agricultural:						
Commodities Act Fund ..	1,206,273:	85:	1,346,300:	85:	1,346,300:	85
Total, Permanent						
Appropriations .....	281,182,031:	369:	252,537,300:	385:	235,077,300:	384
Other Funds:						
Agency for Internation- al Development:						
For special projects- development work in marketing of agri- cultural products in Liberia ..	44,348:	1:	48,000:	1:	48,000:	1
Other .....	--	--	--	--	--	--
Total, Agency for International Development .....	44,348:	1:	48,000:	1:	48,000:	1
Overtime reimbursements: from egg products inspection .....	188,402:	6:	349,945:	6:	349,945:	6
U.S. Grain Standards Act:	1,040,858:	75:	1,360,000:	57:	1,360,000:	57
Tobacco inspection at other than designated auction markets for growers, dealers, and cooperatives .....	395,983:	25:	404,000:	32:	404,000:	32
Market news receipts from States .....	228,073:	12:	244,665:	16:	244,665:	16
Federal Seed Act .....	3,049:	--	2,000:	--	2,000:	--
Department of Justice- cotton classing for Federal penitentiaries:	8,488:	1:	5,000:	--	5,000:	--
Inspection and Grading of Farm Products- for producers, dealers, shippers, processors, cooperatives, institu- tions, and State, mun- icipal, and Federal agencies .....	39,236,420:	2,423:	41,003,000:	2,439:	42,133,000:	2,173
Miscellaneous Contri- buted Funds-from florists .....	41,090:	1:	60,000:	1:	10,000:	--
Miscellaneous reim- bursements .....	56,927:	--	12,100:	1:	12,100:	1
Total, Other Funds:	41,243,638:	2,544:	43,488,710:	2,553:	44,568,710:	2,286
Milk Market Orders Assessment Fund .....	18,564,073:	890:	19,604,000:	890:	20,237,000:	890
Total, Agricultural Marketing Service .....	379,053,015:	5,896:	357,926,450:	5,914:	342,032,450:	5,652

(a) Marketing Services

Appropriation Act, 1973 .....	\$34,210,000
Budget Estimate, 1974 .....	<u>34,865,000</u>
Increase in Appropriation .....	<u>+655,000</u>

Adjustments to:

Appropriation Act, 1973 .....	34,210,000
Transfer to General Services Administration for rental of space ....	-128,000
Adjusted base for 1974 .....	34,082,000
Budget Estimate, 1974 ..	<u>34,865,000</u>
Increase in 1974 program level .....	<u>+783,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of adjusted appropriation)

	1973 <u>Estimate</u>	Increase or <u>Decrease</u>	1974 <u>Estimate</u>
Market News Service .....	\$8,706,000	+\$474,000	\$9,180,000
Inspection, Grading, Classing and Standardization .....	22,199,000	+298,000	22,497,000
Regulatory Activities .....	3,027,000	+11,000	3,038,000
Administration and Coordination of State Payments .....	150,000	--	150,000
Total Available .....	<u>34,082,000</u>	<u>+783,000</u>	<u>34,865,000</u>

PROJECT STATEMENT  
(On basis of adjusted appropriation)

Project	1972 Actual	1973 Estimate	Increase: or Decrease	1974 Estimate
1. <u>Market News Service:</u>				
a. Cotton and cottonseed .....	\$848,422	\$850,000	+\$34,000	\$884,000
b. Dairy and poultry products ...	1,369,338	1,405,000	+166,000	1,571,000
c. Fruits and vegetables .....	2,408,590	2,413,000	+212,000	2,625,000
d. Grain, hay, feed, etc. ...	673,924	646,000	+61,000	707,000
e. Leased wire service .....	615,471	631,000	--	631,000
f. Livestock, meats, and wool .....	2,302,860	2,345,000	-1,000	2,344,000
g. Naval stores .....	33,524	36,000	--	36,000
h. Tobacco .....	343,839	380,000	+2,000	382,000
Total, Market News Service ...	8,595,968	8,706,000	+474,000	9,180,000
c. <u>Inspection, Grading, Classing, and Standardization:</u>				
a. Cotton and cottonseed .....	6,720,505	7,138,000	+130,000	7,268,000
b. Dairy products .....	100,500	102,000	--	102,000
c. Fruits and vegetables .....	977,088	1,024,000	--	1,024,000
d. Grain (U.S. Grain Standards Act)	2,590,679	2,713,000	+10,000	2,723,000
e. Livestock, meats, and wool .....	292,196	304,000	--	304,000
f. Naval stores .....	46,528	48,000	--	48,000
g. Poultry products grading .....	314,529	321,000	+6,000	327,000
h. Rice, hay, beans, etc. ....	81,889	76,000	--	76,000
i. Tobacco .....	4,101,909	4,397,000	+4,000	4,401,000
j. Egg products inspection .....	3,385,378	6,076,000	+148,000	6,224,000
Total, Inspection, Grading, Classing, & Standardization..	18,611,201	22,199,000	+298,000	22,497,000

Continued on next page

Project	1972 Actual	1973 Estimate	Increase or Decrease	1974 Estimate
3. <u>Regulatory Activities:</u>				
a. Federal Seed Act .....	484,237	532,000	+9,000	541,000
b. Naval stores and tobacco export permits .....	26,995	13,000	--	13,000
c. Warehouse Act .....	1,575,996	1,790,000	+2,000	1,792,000
d. Transportation services .....	372,361	366,000	--	366,000
e. Export Fruits Acts .....	27,830	18,000	--	18,000
f. Cotton promotion .....	57,886	60,000	--	60,000
g. Plant Variety Protection Act .....	237,666	248,000	--	248,000
Total, Regulatory Activities ...	2,782,971	3,027,000	+11,000	3,038,000
4. <u>Administration and Coordination</u>				
<u>of State Payments</u> .....	145,962	150,000	--	150,000
Unobligated balance .....	1,314,909	--	--	--
Total, available or estimate .....	31,451,011	34,082,000	+783,000	34,865,000
Transferred to Cost of Living Council, ..	+47,069	--		
Transferred to GSA .....	+7,920	+128,000	(1)	
Total Appropriation .....	31,506,000	34,210,000		

(1) The net increase of \$783,000 consists of:

- (a) An increase of \$675,000 for postage. (\$1,229,342 available in 1973)  
The U.S. Postal Service revised its penalty mail fee structure and changed its base for charges from prior year mailings to current year mailings. The majority of the items that the Agricultural Marketing Service could formerly send by bulk mail are now sent by first class mail, thus increasing postal costs. The increase is distributed as follows:

Market News Service .....	\$510,000
Inspection, Grading, Classing and Standardization .....	154,000
Regulatory Activities .....	11,000
Total .....	<u>675,000</u>

The cost for 1974 was computed as follows:

	Quantity	Cost
First class and airmail .....	\$13,713,133	\$1,194,777
Packages .....	259,721	414,196
Third class and postcards .....	4,229,987	289,303
Special services .....	13,304	6,066
Total .....	<u>18,216,154</u>	<u>1,904,342</u>

- (b) An increase of \$144,000 for egg products inspection. The workload has increased for carrying out the provisions of the Egg Products Inspection Act. The second phase of this Act became effective July 1, 1972, and requires shell egg handlers to be inspected four times a year. Following the full implementation of the Act, the expected growth in the egg products industry for fiscal year 1974 will require an increase of approximately two percent per year in the number of egg products plants requiring inspection. It is anticipated that approximately 15 additional plants will require coverage under the Act by July, 1973. This will require 13 additional man-years.
- (c) A decrease of \$36,000 for livestock, meats, and wool market news service. The funds provided in the 1973 appropriation for an additional livestock market news program were not used in 1973 and are not requested for 1974.



Funds Received from Commodity Credit Corporation  
(Warehouse Examination, Cotton Classing, and Tobacco Grading)

	<u>Administrative Expense Limitation</u>	<u>Capital Fund</u>	<u>Total</u>
Available, 1973 .....	\$2,857,000	\$1,825,350	\$4,682,350
Budget Estimate, 1974 .....	<u>3,041,000</u>	<u>1,825,350</u>	<u>4,866,350</u>
Increase .....	<u>+184,000</u>	<u>--</u>	<u>+184,000</u>

PROJECT STATEMENT

Project	:	1972	:	1973	:	Increase or Decrease	:	1974 Estimate
	:	Actual	:	Estimate	:		:	
Funds from Commodity Credit Corporation:	:		:		:		:	
Warehouse Examination:	:		:		:		:	
Administrative Expense Limitation .....	:	\$2,800,098:	:	\$2,857,000:	:	+\$184,000(1):	:	\$3,041,000
Capital Fund .....	:	200,188:	:	225,000:	:	--	:	225,000
Total, Warehouse Examination .....	:	3,000,286:	:	3,082,000:	:	+184,000	:	3,266,000
Cotton classing and tobacco grading .....	:	840,000:	:	1,575,000:	:	--	:	1,575,000
Classing CCC-owned cotton .....	:	25,350:	:	25,350:	:	--	:	25,350
Total funds from CCC .....	:	3,865,636:	:	4,682,350:	:	+184,000	:	4,866,350

(1) An increase of \$184,000 for examination of warehouses storing Commodity Credit Corporation commodities.

Need for Increase: The Commodity Credit Corporation, in carrying out its various price support programs, has storage agreements with virtually all commercial grain and cotton warehouses in the United States. It also has about 500 storage agreements with warehousemen to store processed commodities. AMS is responsible for protecting the government's interest in the commodities in store in these warehouses.

Plan of Work: Goals are to examine these warehouses two times each year--four times in the case of warehouses storing processed commodities--plus the necessary follow-up examinations. In order to meet these goals and assure adequate protection of the government's interest, an increase is needed in the examination workforce.



## STATUS OF PROGRAM

### Marketing Services

#### 1. Market News

The objective of the Federal-State Market News Service is to help facilitate an orderly and efficient marketing system for agricultural products. This is accomplished through the collection and dissemination of timely information on prices, demand, movement, volume, and quality of most major agricultural commodities produced or sold in the United States.

Market news directly or indirectly helps all segments of the American economy:

- ... It helps producers to decide where and when and at what price to sell.
- ... It assists producers in planning production.
- ... It aids dealers in deciding what prices to offer and where to ship.
- ... It assists the Federal Government in determining price support differentials and price levels for surplus removal and other purchase programs.
- ... It helps develop orderly marketing which provides American consumers with a reliable and reasonably priced supply of foods to meet their daily needs.

Market information is obtained by trained Federal or State reporters who visit trading points at the time of transactions or gather data by telephone. Information collected by these reporters is analyzed and sent immediately over a leased wire network. National information is integrated with local information and released in a form easily understood by the industry and locality served. The information is disseminated by all the news media, as well as by mimeographed reports, telephone, tape recorder, and telegraph.

The cornerstone of the market news service has been Federal-State cooperation. In 1972, forty-two States were parties to cooperative agreements with the Department; these agreements provide for Federal-State sharing of the costs of market news reporting, with each State's share based for the most part on the relationship between the national and the local significance of the service. The Department works constantly to increase State participation and to achieve equitable uniform financing among the cooperating States.

Selected Examples of Recent Progress and Trends:

A. Market News Activity, by Commodity Group, Fiscal Year 1972:

Commodity Group	: Field Offices	: Buyers : and : Sellers : Inter-viewed	: Number of : Commodities : Reported	: Mimeographed : Releases to : Growers, : Shippers, : and Others	: Number : on : Mailing : List	: No. of : Federal : Reporters	: No. of : Markets : Covered
Cotton and Cottonseed:							
Year-round	32						
Seasonal ..	8						
Total ...	40 <u>a/</u>	2,187	3	863,781	31,804	47	49
Dairy & poultry products ....	34	2,662	25	3,522,215	23,070	36	145
Fruits and Vegetables:							
Year-round	27						
Seasonal ..	23						
Total ...	50	5,973	175	7,289,613	71,597	54	190
Grain & related products ....	27	1,412	35	3,105,096	41,817	14	176
Livestock, meats and wool ....	45	5,600	4	858,782	17,500	77	250
Naval stores	1	90	3	38,312	586	1	1
Tobacco:							
Year-round	2						
Seasonal ..	7						
Total ...	9	100	1 <u>b/</u>	824,000	1,815	7	176

a/ Includes 36 (28 permanent and 8 seasonal) integrated market news/classing offices.

b/ Includes 13 types of tobacco.

B. Changes in the Market News Service:

Shifting market patterns and improved technology require continuous expansion and consolidation of market news activities. While some changes can be financed by added support from State cooperative agreements, improved management also plays an important role in maintaining an efficient market news system. In 1972, increased use was made of telephone tape recorders at various locations, often under industry sponsorship, to reduce dependence on mimeographed reports. Mailing costs were additionally minimized through careful distribution procedures which helped coordinate mailing frequencies with the needs of the users of the reports.

Other important changes made in 1972 include:

1. The cotton market news "Mill Margins Report" was expanded to include estimates for three kinds of cotton yarn in recognition of the growing importance of the knitted fabric segment of the textile industry.
2. Seasonal shipping point operations in fruit and vegetable market news were extended at grower and shipper request and with State financial assistance in Merrill, Oregon; Idaho Falls, Idaho; Madison, Wisconsin; and Martinsburg, West Virginia. In addition, the Boston market news office added shipping point prices of two more items to the ornamental crops report.
3. A weekly report of shipments of grain by barge in the Mississippi Basin was initiated for a six months trial period based on industry requests for more timely and accurate assessments of grain movement by barges.
4. New livestock market news Federal-State agreements were signed with Arkansas, Ohio, and Wyoming.
5. Emphasis on marketing broilers in the ready-to-cook form increased in early 1972, resulting in the elimination of the last live at-farm report by USDA market news. The completion of this transition in marketing techniques necessitated initiating two new reports as an aid in local marketing channels.

Price reports on Wisconsin nonfat dry milk and whey powder were extended to cover the Central States production area. Monthly milk producer data was assembled and released covering 33 milk marketing order areas. A new report was released covering Wisconsin wholesale selling prices on various types of cheese.

A new and revised series of egg prices to retailers covering volume sales in 15 major consuming centers were initiated, while previous reports of small volume sales to retailers were discontinued. Following the industry trend of fewer actual sales at the farm, the reporting of farm prices was discontinued where applicable. The first report on liquid eggs was released as interest grew in manufactured egg products.

C. Federal Cost of Service:

	<u>1972</u>	<u>1973</u> <u>Estimate</u>	<u>1974</u> <u>Estimate</u>
Total Federal cost of service ....	\$8,937,258	\$9,143,795	\$9,617,795
Less reimbursements* .....	<u>341,290</u>	<u>437,795</u>	<u>437,795</u>
Paid from appropriation .....	8,595,968	8,706,000	9,180,000

\*Includes amounts reimbursed to the appropriation in accordance with cooperative agreements. Does not include amounts expended by States and local groups both under cooperative agreements and outside of agreement. In total, States expended over \$3.8 million in 1972, an average of about 31% of the total program costs.



D. Federal-State Cooperation:

States Participating Under Cooperative Agreements in Fiscal Year 1971  
by Commodity Group:

State	Dairy and Poultry Products	Fruits and Vegetables	Grain and Feed Products	Livestock Meats and Wool	Tobacco
ALABAMA .....	x	x	x	x	--
ARIZONA .....	--	x	--	--	--
ARKANSAS .....	--	x	x	x	--
CALIFORNIA .....	x	x	x	x	--
COLORADO .....	x	x	--	x	--
CONNECTICUT .....	x	x	--	--	--
DELAWARE .....	--	x	--	--	--
FLORIDA .....	x	x	--	x	x
GEORGIA .....	x	x	--	x	x
HAWAII .....	x	x	x	x	--
IDAHO .....	--	x	--	--	--
ILLINOIS .....	--	--	x	x	--
IOWA .....	x	--	x	x	--
KENTUCKY .....	--	x	x	x	x
LOUISIANA .....	x	x	x	--	--
MAINE .....	x	x	--	--	--
MARYLAND .....	x	x	x	x	x
MASSACHUSETTS .....	x	--	--	--	--
MICHIGAN .....	x	x	--	--	--
MINNESOTA .....	x	x	--	--	--
MISSISSIPPI .....	x	--	x	--	--
MISSOURI .....	x	--	x	x	--
NEBRASKA .....	x	--	--	x	--
NEW HAMPSHIRE .....	x	--	--	--	--
NEW JERSEY .....	x	x	--	--	--
NEW MEXICO .....	--	x	--	--	--
NEW YORK .....	--	x	--	--	--
NORTH CAROLINA .....	x	x	x	--	x
OHIO .....	x	--	--	x	--
OKLAHOMA .....	--	--	--	x	--
OREGON .....	x	x	--	x	--
PENNSYLVANIA .....	x	x	--	x	--
RHODE ISLAND .....	x	x	--	--	--
SOUTH CAROLINA .....	--	x	x	--	x
TENNESSEE .....	--	--	--	x	x
TEXAS .....	x	x	x	x	--
UTAH .....	x	--	--	x	--
VERMONT .....	x	--	--	--	--
VIRGINIA .....	x	x	x	--	x
WASHINGTON .....	x	x	--	x	--
WEST VIRGINIA .....	--	x	--	--	x
WISCONSIN .....	x	x	--	--	--
TOTAL .....	30	30	15	21	9

## 2. Inspection, Grading, Classing, and Standardization:

Current Activities: These programs assist farmers to market their products. This is done by (1) establishing national standards for all major agricultural commodities, which accurately reflect quality and condition; (2) developing equipment and methods by which these standards may best be applied (3) broadening the use of such standards through demonstrations, training courses, bulletins, and distribution of photographs, copies of standards, etc.; (4) providing an inspection, grading, and classing service based on these standards; and (5) administering and enforcing laws for the continuous inspection of egg products shipped in interstate, intrastate and foreign commerce, and those requiring the use of official U.S. standards for all cotton and cotton linters sold by grade and shipped in interstate and foreign commerce, for grain sold in foreign commerce, and for tobacco sold at designated auction markets.

### Selected examples of recent progress and trends:

#### A. Standardization and related activities:

1. Dairy - U.S. standards for grades of bulk American cheese for manufacturing were published and became effective on December 22, 1971. This new standard recognizes the quality characteristics and end use of bulk cheese for manufacturing and will be applicable to cheese packed in barrels and other bulk forms.
2. Fruit and Vegetable - In 1972, U.S. grade standards were developed or amended for seed potatoes, cranberries (fresh and frozen), peanut butter, grapefruit (canned), ripe olives (canned), apple juice (canned), potatoes, onions, asparagus, apricots (canned), green and wax beans (canned), and red tart cherries (canned).
3. Livestock - The first USDA standards for grades of grease mohair was adopted August 1, 1971. Also, the first standards for grades of mohair top were proposed July 21, 1972. Revised grade standards for veal and calf carcasses and for vealers and slaughter calves became effective January 1, 1972. A revision in U.S. quality grade standards for bull beef, that would distinguish for the first time between beef for young and old bulls, was proposed March 17, 1972.

#### 4. New and Revised Standards:

	<u>1970</u>	<u>1971</u>	<u>1972</u>
International and U.S. standards in effect, June 30 .....	601	609	600
Number of commodities covered .....	316	317	319
 New standards issued .....	2	3	4
New standards in process, June 30 .....	12	15	8
Requests pending for new standards, June 30	18	21	15
 Standards revised .....	22	31	23
Standards being revised, June 30 .....	32	35	23
Requests pending for revision of standards, June 30 .....	34	32	25

#### B. Inspection, Grading, and Classing:

1. Cotton Classing - A total of 11.8 million samples were classed during the fiscal year, compared to 12.8 million samples in Fiscal Year 1971. Smith-Doxey classing for farmers accounted for 9.8 million samples or about the same volume as last year. Classing for farmers during the 1972 fiscal year represented 96 percent of total ginnings. Classings for CCC sales programs totaled about 0.8 million samples, compared to 2.6 million last year.

The Board of Cotton Linters Examiners classed 1,100 linters samples under the United States Cotton Standards Act.

Licensed cottonseed chemists issued about 59,000 cottonseed grade certificates which represented about 76 percent of cottonseed production. Licenses were issued to 36 cottonseed chemists and 163 cottonseed samplers.

Number of Cotton Classifications and Related Data - 1972-1973:

	Number (Thousands)	
	1972 (Actual)	1973 (Estimated)
<u>Cotton Classifications:</u>		
Statistics and Estimates Act .....	72	70
Smith-Doxey Amendment .....	9,825	13,000
Cotton Standards Act:		
Public Classing Service .....	1,151	160
Federal Penitentiary (reimbursement)	19	15
CCC (reimbursement) .....	--	--
P.L. 480 (reimbursement) .....	37	37
Cotton Futures Legislation .....	657	700
Other .....	18	18
Total, Cotton Classifications .....	11,779	14,000
<u>Cotton Fiber Tests</u> .....	451	500
<u>Cotton Linters Classifications:</u>		
Cotton Standards Act .....	1	1

2. Dairy Products - Overall volume of inspection and grading work in terms of pounds of product graded was off 4 percent from a year ago. This change in the workload was related to (1) a 50 percent drop in Government inventories from a year ago of butter and nonfat dry milk, (2) a decrease in the number of Government purchase contracts for packaged butter and nonfat dry milk for donation to domestic welfare programs, and (3) an 8½ percent decrease in Government purchases under the Dairy Price Support Program.

A total of 3.0 billion pounds of dairy and other food products were inspected and graded. This compares with a volume figure of 3.1 billion for the previous year.

Inspection and grading on products manufactured in plants having the Resident Program accounted for over 1/3 of the total volume of gradings performed by the Division last year. The breakdown is as follows: 435 million pounds of nonfat dry milk, 356 million pounds of butter, and 147 million pounds of cottage cheese, sterilized milk, dry whey, butter-milk, and ice cream mix. The number of plants using the Resident Program declined by two this past year making the current total 49.

3. Fruits and Vegetables - The overall volume of fresh products inspected during the year surpassed that of last year by more than one-half billion pounds. This represents a one percent increase and is the largest volume inspected in a single year. Receiving market inspection volume was up slightly more than three and one-half percent from last year. Large terminal markets, chiefly in the Eastern and Central Regions were hard pressed to promptly answer all requests for inspection. Shipping point inspection volume was up almost one-percent over that of the previous year. Increases in commercial inspections and Farmers' Stock Peanuts more than offset the small decrease in the inspected volume of raw products for processing.



The volume of processed fruits and vegetables inspected under in-plant inspection decreased approximately two (2) percent from Fiscal Year 1971. This decrease occurred largely in the inspection of canned products.

	Canned			Frozen		
	1970	1971	1972	1970	1971	1972
	(million pounds)*			(million pounds)		
Continuous .....	6,493	5,968	5,670	3,506	3,411	3,587
Other In-Plant ....	1,110	1,113	921	417	372	499
Total .....	7,603	7,081	6,591	3,923	3,783	4,086

\*Basis 30 pounds per case.

4. Volume of Grain Inspection and Appeal Activities under the U.S. Grain Standards Act:

	Fiscal Year	
	1972 Actual	1973 Estimated
<u>Inspection Services:</u>		
Million pounds produced .....	583,000	547,000
Million pounds inspected .....	388,351	420,000
Number of inspections .....	2,675,104	2,900,000
Inspections Federally supervised (excluding appeals) .....	64,688	65,000
Percent of inspections supervised (including appeals) .....	2.9	2.8
<u>Appeal Services:</u>		
Number of appeals referred .....	12,222	20,050
Appeals denied or cancelled .....	50	50
Appeals decided .....	12,172	20,000
Original grades sustained (percent)	83	80
Appeals carried to Appeals Board .	92	100
Original grades sustained by Appeals Board (percent) .....	80	80

5. Meat Quality Grading, Acceptance Work, and Yield Grading - The volume of quality and yield grading increased from 18.5 billion pounds in 1971 to 19.6 billion pounds in 1972. Yield grades continued to make significant contributions to the orderly movement of beef from producers to consumers. The demand for yield grade identification on beef carcasses has grown from 352 million pounds in 1966 to 4.0 billion in 1972.

6. Poultry Products - A total of 836 resident poultry, shell egg and egg product plants received official grading service at some time during the year. On June 30, 1972, there were 771 different plants which had a total of 863 individual applications in force for the grading of poultry or shell eggs and the inspection of egg products. There was an increase of 7 poultry plants, 24 shell egg plants, and 48 egg products plants from a year ago. The poultry and shell egg increases were attributed to increased consumer demand for official graded product, whereas the egg product increase was due to the change from a voluntary program to a mandatory program effective July 1, 1971.

VOLUME OF POULTRY AND EGGS PROCESSED AND GRADED IN  
OFFICIAL USDA PLANTS IN FISCAL YEARS 1971-1972

<u>Product</u>	<u>Volume Processed in Official Plants <u>1/</u></u>		<u>Volume of Products Inspected and/or Graded/Regraded <u>3/</u></u>	
	<u>FY-71</u>	<u>FY-72</u>	<u>FY-71</u>	<u>FY-72</u>
Poultry (excl. turkeys) (mil. lbs. RTC) .....	7,735	8,224	5,939	6,245
Turkeys (mil. lbs. RTC) .....	1,662	1,691	1,637	1,818
Rabbits (mil. lbs. RTC) .....	<u>2/</u>	<u>2/</u>	2	2
Liquid/Frozen Eggs (thou. lbs.) .....	639,522	692,186	852,082	756,542
Dried Eggs (thou. lbs.) .....	79,966	103,244	83,787	103,801
Shell Eggs (mil. doz.) .....	2,401	2,669	1,757	1,933

1/ Poultry processed in official plants refers to quantities certified as wholesome, egg products refers to quantities processed under continuous inspection by USDA, and shell eggs refers to eggs handled in plants under the voluntary grading program.

2/ Less than 3 plants reporting.

3/ Includes product regraded in plants and terminal markets.

7. Volume of Tobacco Inspected by Class, Fiscal Year 1972 and Estimated 1973

	<u>Number of Auction Markets Designated and Inspected</u>	<u>Sets of Buyers</u>	<u>Quantity Inspected and Sold Thousand Pounds</u>
<u>Auction Markets:</u>			
Flue-cured .....	94	145	1,106,737
Fire-cured .....	8	8	34,638
Dark air-cured ...	9	5	16,468
Burley .....	61	71	497,409
Maryland .....	<u>4</u>	<u>5</u>	<u>31,916</u>
Total Auction Markets .....	176	234	1,687,168
<u>Cooperative Marketing Associations:</u>			
Auction types ....	---	---	57,633
Non-auction types	<u>---</u>	<u>---</u>	<u>6,959</u>
Total Cooperative Marketing Associations	---	---	64,592
Total, 1972 .....	176	234	1,751,760
Estimated 1973 (auction markets only) .....	176	234	1,790,000

8. Commodities Inspected and Graded on a Fee Basis (Agricultural Marketing Act) Fiscal Years 1972-1973

	(in million pounds)	
	<u>1972</u>	<u>1973 (est.)</u>
<u>Fresh fruits and vegetables:</u>		
Receiving markets .....	4,074	4,244
Shipping points .....	55,097	57,228
<u>Processed fruits and vegetables:</u>		
Canned .....	7,505	8,000
Frozen, dried and other .....	5,698	5,900
<u>Dairy products:</u>		
Butter, cheese, milk, etc. ....	3,100	3,000
<u>Poultry products:</u>		
Shell eggs .....	1,933	1,930
Processed eggs .....	860	886
Poultry .....	8,066	8,552
<u>Grain and related products:</u>		
Rice, beans, peas .....	11,131	11,110
Hops .....	52	50
Hay and straw .....	2	2
Miscellaneous commodities .....	3,361	4,000
<u>Meat and meat products graded:</u>		
Beef .....	18,116	20,202
Veal and Calf .....	64	54
Lamb and Mutton .....	409	398
Miscellaneous .....	990	869
Total, meat and meat products .....	19,579	21,523
<u>Cotton Micronaire</u> .....	600	100
<u>Naval Stores:</u>		
Rosin .....	24	23
Turpentine .....	4	4

9. Revision in Fees and Charges in Fiscal Year 1972 and  
Plans for 1973

Commodity and Service	Action on Fees	Effective
<u>Dairy:</u>		
Inspection and grading performed on an hourly basis .....	Increased from \$10.00 to \$10.60: per hour, 6:00 a.m. to 6:00 p.m. and from \$11.00 to \$11.60 from 6:00 p.m. to 6:00 a.m.	3/1/72
Laboratory services on an hourly basis .....	Fees increased an average of 5.3%.	3/1/72
<u>Fruit and Vegetable:</u>		
Citrus inspection (under agreement with the State of Florida) per case	Decreased from \$.0115 and \$.0093 to \$.0088.	10/4/71
Inspection of olives under Federal Marketing Order, per case .....	Increased from 3.1 to 3.7 .	11/14/71
In-plant inspection:		
(a) Seasonal . . . . .	Increased from \$13.00, \$9.40, \$4.85 to \$14.00, \$9.90, \$5.00.	4/2/72
(b) Year-round .....	Increased from \$8.60, \$6.25, \$4.85, \$9.40, \$6.90 to \$9.10, \$6.60, \$5.00, \$9.90, \$7.25.	4/2/72
Lot inspection (unit rates) .....	Changed from a sliding scale based on volume inspected to \$11.20 per hour.	7/23/72
Lot inspection (hourly rate) .....	\$10.00 to \$11.20 per hour.	7/23/72
<u>Grain:</u>		
Inspection and appeal inspection of rough, brown, and milled rice, per sample .....	Increase from \$3.50, \$3.00, and \$2.00 on inspection and one- fourth of original fee for appeals to \$6.00, \$5.00 and \$3.00.	7/1/72
Lot inspection fee for sampling and inspection, per 100 pounds .....	Increase from \$.0125 and \$.0150: to \$.0175, \$.0200, \$.0225, and \$.0250 depending on services requested.	7/1/72

Commodity and Service	Action on Fees	Effective
Check loading and other special services under the Agricultural Marketing Act (per hour) .....	Increased from \$8.80 to \$12.00.	7/1/72
<u>Livestock:</u>		
Meat Grading Service:		
Monday through Friday between 6:00 a.m. and 6:00 p.m. ....	\$11.60 to \$12.40 per hour.	2/13/72
Saturday, Sunday, and Monday through Friday between 6:00 p.m. and 6:00 a.m. ....	\$13.80 to \$14.60 per hour.	2/13/72
Legal Holidays .....	\$23.20 to \$24.80 per hour.	





**Actual Obligations for Inspection, Grading, Classing and Standardization  
and Cost of Program to Taxpayer, by Work Project  
Fiscal Year 1972**

1/ Reimbursement to the U. S. Grain Standards Act Fund.





UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

Estimated Obligations for Inspection, Grading, Classing and Standardization  
and Cost of Program to Taxpayer, by Work Project  
Fiscal Year 1973

Budget Project	Total Program Obligations	Paid from Revenue Earned		Paid From Appropriation	Income to General Revenue Fund of Treasury	Net Cost to Taxpayer	Percent of Total Cost	
		Reimbursed to: Appropriation	Trust Funds				Charged to: Taxpayer	Covered by Revenue
					INSPECTION, GRADING, AND CLASSING			
Cotton .....	7,945,650	1,156,450	89,000	1,245,450	6,700,200	1,051,000	5,649,200	71.1
Dairy Products .....	3,599,000	---	3,599,000	3,599,000	---	---	---	28.9
Fruits and Vegetables .....	15,410,200	---	14,918,000	14,918,000	492,200	---	492,200	100.0
Grain .....	3,902,700	1,360,000	---	1,360,000	2,542,700	---	2,542,700	96.8
Livestock .....	10,011,000	---	10,011,000	10,011,000	---	---	---	34.8
Naval Stores .....	30,300	---	1,000	1,000	29,300	---	29,300	100.0
Poultry Products .....	8,396,200	---	8,182,000	8,182,000	214,200	---	214,200	96.7
Rice, Hay, Beans, etc. ..	4,203,000	---	4,203,000	4,203,000	---	---	---	2.6
Tobacco .....	5,179,100	879,000	---	879,000	4,300,100	---	4,300,100	83.0
Egg Products Inspection	6,425,945	349,945	---	349,945	6,076,000	---	6,076,000	17.0
Total .....	65,103,095	3,745,395	41,003,000	44,748,395	20,354,700	1,051,000	19,303,700	94.6
					STANDARDIZATION			5.4
Cotton .....	437,800	---	---	---	437,800	---	397,800	90.9
Dairy Products .....	102,000	---	---	---	102,000	---	102,000	100.0
Fruits and Vegetables ..	581,800	---	50,000	50,000	531,800	---	531,800	91.4
Grain .....	170,300	---	---	---	170,300	---	170,300	100.0
Livestock .....	304,000	---	---	---	304,000	---	304,000	100.0
Naval Stores .....	18,700	---	---	---	18,700	---	18,700	100.0
Poultry Products .....	106,800	---	---	---	106,800	---	106,800	100.0
Rice, Hay, Beans, etc. ..	76,000	---	---	---	76,000	---	76,000	100.0
Tobacco .....	96,900	---	---	---	96,900	---	96,900	100.0
Total .....	1,894,300	---	50,000	50,000	1,844,300	40,000	1,804,300	95.2
					TOTAL, INSPECTION, GRADING, CLASSING, AND STANDARDIZATION			4.8
Cotton .....	8,383,450	1,156,450	89,000	1,245,450	7,138,000	1,091,000	6,047,000	72.1
Dairy Products .....	3,701,000	---	3,599,000	3,599,000	102,000	---	102,000	2.8
Egg Products Inspection	6,425,945	349,945	---	349,945	6,076,000	---	6,076,000	94.6
Fruits and Vegetables ..	15,992,000	---	14,968,000	14,968,000	1,024,000	---	1,024,000	6.4
Grain .....	4,073,000	1,360,000	---	1,360,000	2,713,000	---	2,713,000	66.6
Livestock .....	10,315,000	---	10,011,000	10,011,000	304,000	---	304,000	2.9
Naval Stores .....	49,000	---	1,000	1,000	48,000	---	48,000	98.0
Poultry Products .....	8,503,000	---	8,182,000	8,182,000	321,000	---	321,000	3.8
Rice, Hay, Beans, etc. ..	4,279,000	---	4,203,000	4,203,000	76,000	---	76,000	1.8
Tobacco .....	5,276,000	879,000	---	879,000	4,397,000	---	4,397,000	83.3
Total .....	66,997,395	3,745,395	41,053,000	44,798,395	22,199,000	1,091,000	21,108,000	31.5
								68.5



### 3. Regulatory Activities

Current Activities: Several Marketing regulatory laws are administered by AMS. These include the Federal Seed, U.S. Warehouse, Export Apple and Pear, Export Grape and Plum, and the Tobacco Seed and Plant Exportation Acts, and the regulatory aspects of the Naval Stores Act. These laws regulate various marketing activities and the administration of each includes two or more of the following: (1) licensing or registration; (2) supervising operations of licensees or registrants; (3) collecting and testing samples; (4) ascertaining the reasonableness of rates and charges; (5) suspension or revocation of licenses or registrations; (6) determination of adequacy of bond coverage; (7) audits of books and records; (8) investigating complaints and violations; (9) settling disputes; and (10) handling of violations.

In addition to the above, this activity also includes assistance to producers in obtaining and maintaining equitable and reasonable transportation rates and services for farm products and supplies; legal protection under the Plant Variety Protection Act to developers of new varieties of plants which reproduce sexually; surveillance of activities conducted in accordance with the provisions of the Cotton Research and Promotion Act and the Wheat Research and Promotion Act; and administration of the Agricultural Fair Practices Act of 1967.

#### Examples of Recent Progress and Trends:

##### A Federal Seed Act

This law applies to agricultural and vegetable seeds moving in interstate and foreign commerce. It requires truthful labeling, prohibits false advertising, restricts the distribution of noxious-weed seeds, and establishes germination standards for vegetable seed moving in interstate commerce. Under memoranda of agreement with all States, State seed inspectors cooperate in the enforcement of this Act. The U. S. Customs Service cooperates with AMS to enforce provisions of the Act relating to imported seed.

1. Interstate Enforcement. In 1972, 1,096 complaints of violations of the interstate provisions of the Federal Seed Act were received--291 more than in the previous year. Apparent violations of the Act were reported by 35 States, the same number as in 1971. However, the number of prosecutions recommended decreased substantially, from 87 in 1971 to 29 in 1972. The number of prosecutions initiated in court decreased from 31 to 16 in 1972. About 475 State seed inspectors are authorized to inspect seed subject to the Act.

A summary of interstate enforcement activities is shown in the following table:

Interstate Activity	Fiscal Year		
	1971	1972	1973 Est.
<u>Cases for Investigation:</u>			
Total to be investigated .....	1,302	1,767	1,500
Investigations completed .....	631	752	1,000
Pending at end of year .....	671	1,015	500
<u>Administrative Actions:</u>			
No action warranted .....	192	221	150
Warnings issued .....	383	434	500
Cited for hearings .....	153	211	150
Seizures recommended .....	0	0	5
Prosecutions recommended (complaints)....	87	29	100
<u>Court Actions:</u>			
Prosecutions initiated (court cases).....	31	16	35
Prosecutions pending at end of year .....	62	21	40
Seizure actions terminated .....	3	0	5
Seizure actions pending at end of year ..	0	0	0

Factors involved in reported violations during the past 3 years are shown in the following table:

Factor	:	Percent		
		1970	1971	1972
Germination .....	:	31	32	33
Noxious-weed seeds .....	:	21	21	24
Purity .....	:	16	17	18
Treatment .....	:	1	2	1
Variety .....	:	15	6	6
Advertising .....	:	4	2	1
Not labeled .....	:	--	1	9
Miscellaneous (incomplete labeling, misleading statements, etc.) .....	:	12	19	8

2. Import Enforcement. Importations of agricultural and vegetable seeds from 32 countries amounted to 80 million pounds, valued at \$17 million in Fiscal Year 1972. This is 39 percent below the previous fiscal year's volume.

Of the 6,482 lots of seed offered for importation, 209 lots were refused admission based on preliminary tests. Of these 127 lots were brought into compliance and finally admitted, bringing the total to 6,400 lots finally admitted.

Import work is shown in the following table:

Activity	:	Fiscal Year		
		1971	1972	1973 Est.
Total import actions <u>1/</u> .....	:	7,792	6,728	7,800
Lots offered for import .....	:	7,478	6,482	7,500
Lots permitted entry .....	:	7,354	6,400	7,350
Lots denied entry .....	:	124	82	150
Kinds of seed imported .....	:	133	136	130
Pounds of seed imported (millions) ...	:	130.8	79.5	125.0

1/ Includes action taken on lots rejected once and acted on again after cleaning, etc.

3. Seed Testing. The volume of testing done on both foreign and domestic seed is shown in the following table:

Activity	:	Fiscal Year		
		1971	1972	1973 Est.
Seed samples tested in connection with:	:	:	:	:
Imports .....	:	7,882	6,846	7,800
Interstate shipments .....	:	1,282	1,901	1,900
Standardization .....	:	1,654	2,008	1,500
Service testing .....	:	591	884	800



B. Naval Stores and Tobacco Export Permits

1. Naval Stores Act (Regulatory Provisions):

The regulatory aspect of this law protects users, particularly at the retail level, against adulteration of naval stores, misleading labeling, and short weight. Samples of turpentine and related products moving in interstate commerce are tested and the labels examined to assure their accuracy.

Regulatory activities in connection with Naval Stores have been reduced to a minimum level because of the rapidly decreasing significance of turpentine in small containers for retail sale, and the lack of discovery of significant violations in recent years. A testing operation was maintained for analysis and testing of a limited number of samples of turpentine.

2. Tobacco Seed and Plant Exportation Act:

This law prohibits the exportation of domestic tobacco seed and live tobacco plants from the U.S. except for experimental purposes. In 1972, 56 certificates were issued for the export of tobacco seed to be used for experimental purposes.

C. U. S. Warehouse Act

The primary objectives of this law are to (1) protect producers and others, including the Commodity Credit Corporation, who store their property in public warehouses; (2) assure the integrity of warehouse receipts as documents of title to be used as collateral for loans, and to facilitate trading in interstate commerce of agricultural commodities; and (3) set and maintain a standard for sound warehouse operations.

Under the provisions of the U.S. Warehouse Act, the Agricultural Marketing Service licenses and bonds public warehousemen storing agricultural products; licenses weighers, graders and samplers of such products; and supervises the operations of those licensed to assure compliance with the Act.

Applications for licenses are filed by warehousemen on a voluntary basis. Before licensing, the applicant's storage facilities and operations are examined to determine that they qualify for licensing under the terms of the Act and regulations. After the initial license is issued, the Act provides for periodic examinations of (1) the financial condition of the licensee, (2) the adequacy of warehouse records, and (3) the condition and contents of the warehouse. The licensee is authorized to issue Federal warehouse receipts for products deposited for storage. These receipts represent the stored products, and are vital instruments in the marketing and financing of the products--the aggregate value of which may be \$3 billion or more at any one time.

- 1 Licensing Activity. Licensing activity increased during Fiscal Year 1972 with 151 new licenses and 412 amended licenses issued. The total of 563 such actions is 150 more than the volume of the preceding year. During the year, 136 licenses were terminated and 5 suspended. Three suspensions were subsequently lifted.

Licensed storage capacity for cotton decreased from 14,320,000 bales to 13,507,000 bales. Licensed grain capacity however, increased from 1,826 million bushels to 1,881 million bushels. This reflected a slight increase in the number of licensed grain warehouses during the year. Approximately 39 percent of the Nation's commercial grain storage capacity and 61 percent of the commercial cotton storage capacity are now licensed.

The following table illustrates the trend since 1940 in the total number of licenses, and capacity of licensed grain and cotton warehouses:

As of June 30	: Total : (Capacity (Millions)			
	: Number : Grain : Cotton			
	: Licenses : (Bushels) : (Bales)			
1940 .....	: 1,291	: 188	: 10.1	
1950 .....	: 1,483	: 380	: 11.0	
1960 .....	: 1,742	: 1,188	: 13.5	
1965 .....	: 1,835	: 1,412	: 15.6	
1970 .....	: 1,741	: 1,781	: 14.6	
1971 .....	: 1,733	: 1,826	: 14.3	
1972 .....	: 1,748	: 1,881	: 13.5	
1973 Estimated .	: 1,822	: 1,940	: 13.8	

2. Supervisory Examination Activity. Licensed warehouses were examined at a rate of 2.83 examinations per year per cotton warehouse (2.51 in 1971), and 1.84 examinations per year per grain warehouse (1.87 in 1971). Total supervisory examinations were 3,531 in 1972, or 69 more than in 1971.

The following tables reflect the warehouse examination workload trend since 1963:

GRAIN				
Fiscal Year	: Grain : Licensed Grain		: Workload Per	
	: Examiner : Capacity		: Man-Year	
	: (Man-Years) : (Million bushels)		: (Million bushels)	
	: as of June 30			
1963 .....	: 34.6	: 1,299	: 37.5	
1964 .....	: 33.3	: 1,359	: 40.8	
1965 .....	: 33.5	: 1,412	: 42.1	
1966 .....	: 37.4	: 1,428	: 38.2	
1967 .....	: 45.0	: 1,479	: 32.9	
1968 .....	: 43.4	: 1,588	: 36.6	
1969 .....	: 42.6	: 1,731	: 40.6	
1970 .....	: 45.4	: 1,781	: 39.4	
1971 .....	: 48.2	: 1,826	: 37.9	
1972 .....	: 47.1	: 1,881	: 39.9	
1973 Estimated ..	: 45.0	: 1,940	: 43.1	

COTTON				
Fiscal Year	: Cotton : Licensed Cotton		: Percentage of	
	: Examiner : Capacity		: Average	
	: (Man-Years) : (Thousand bales)		: Occupancy to	
	: as of June 30		: Total Capacity	
1963 .....	: 27.2	: 14,083	: 39.3	
1964 .....	: 27.3	: 14,685	: 48.3	
1965 .....	: 26.6	: 15,561	: 52.2	
1966 .....	: 30.0	: 16,087	: 54.8	
1967 .....	: 30.0	: 15,951	: 41.8	
1968 .....	: 23.6	: 15,747	: 22.0	
1969 .....	: 21.9	: 14,913	: 17.1	
1970 .....	: 21.2	: 14,616	: 17.9	
1971 .....	: 16.6	: 14,320	: 17.0	
1972 .....	: 15.0	: 13,507	: 13.9	
1973 Estimated ..	: 12.0	: 13,800	: 18.0	

#### D. Transportation Services

This program aids farmers and shippers of agricultural commodities to secure efficient and economical transportation rates and services for farm products moving to storage, processing plants, and to markets. It also assists farmers with transportation problems concerning the movement of farm supplies to production areas.

Transportation charges account for a significant part of the marketing bill. The total cost of transporting, processing and distributing farm food products in 1971 is estimated at \$75 billion, of which \$6 billion was spent for inter-city transportation. Transportation costs accounted for 7.9 percent of the total marketing bill in 1971, compared with 7.3 percent in 1970 and 9 percent in 1960.

Faced with rising costs, all modes of transport have sought and obtained, in differing degrees, increases in their freight rates and other charges for their services.

Of equal concern to agricultural shippers are the railroad mergers which bring about systems that result in elimination of duplicate service between major terminals. This situation has prompted the carriers to seek abandonment of large segments of mainline trackage and low-revenue producing branch lines. It has been estimated that there are 21,000 miles of rail line which should be abandoned. Many of these lines are in rural areas.

These actions have been a source of concern in the agricultural community. The Department is seeking solutions that would retain the essential transportation services for rural areas served by railroad.

1. Action on Rate and Service Adjustments before Carrier Bureaus. During 1972, notices were received of 12,105 proposed rate adjustments on agricultural commodities or farm supplies. A total of 35 actions were taken with carrier ratemaking bureaus. Twelve favorable rate adjustments were obtained for agricultural producers. Following are some of the significant actions taken:
  - a. USDA was successful, through negotiations, in persuading southwestern railroads to retain a reasonable rate level on rough rice. Carriers had proposed canceling several low scales of rates on rice.
  - b. USDA opposed a railroad proposal to cancel all rates on canned or preserved food stuffs which are subject to a carload minimum weight of 40,000 pounds. The carriers decided not to cancel the rates.
2. Action on Rate and Service Adjustments before Regulatory Agencies. In 1972 the Department received notices of 1,650 actions involving proceedings before regulatory agencies. A total of 82 actions were taken before these regulatory agencies. Some of the major cases in which the Department participated are the following:
  - a. Participated in an ICC proceeding concerning the Nation's rail carriers' publication of increased charges for furnishing protective service on perishable commodities in mechanical refrigerator cars. The Commission denied the increase to the railroads and ordered them to cancel the charges. This will save the shippers of perishable freight up to \$50 million annually from what they would have paid under the new rates.



- b. Requested ICC to issue orders permitting railroads to reduce their rates on hay on one day's notice to a total of 26 drought stricken counties in New Mexico, Oklahoma and Texas. The ICC issued the orders as requested and extended the expiration date of the orders at the request of the Department.
  - c. Received a favorable decision from the ICC regarding railroad substitution of motor service for rail service on agricultural commodities. USDA had urged the ICC to relax its rules to permit the substitution of truck service at rail rates during periods of car shortages.
  - d. Supported railroad attempts to establish reduced rates on wheat from North Dakota, South Dakota, and Montana, to Minneapolis and Duluth. USDA replied to a number of protests from market interests which sought to have the new rates suspended. The new rates became effective December 11, 1971, and have materially benefited farmers through increased farm prices for wheat. Estimated savings to area farmers is \$17 million annually.
3. Counsel and Advice to Agricultural Interests. During the year the Department received many requests for transportation assistance from a variety of sources. Considerable time and effort was devoted to providing information to State Departments of Agriculture and State Extension personnel. More and more interest is being expressed in transportation costs and their effect on production, production areas, plant locations, supply availability and market accessibility.

E. Export Fruits Acts

This project includes administration of the Export Apple and Pear Act of 1933 and the Export Grape and Plum Act of 1960. Both laws were enacted to promote foreign trade of these U.S.-grown fruits. These laws protect the reputation of American-grown apples, pears, grapes and plums in foreign markets, prevent deception or misrepresentation as to the quality of such products, and provide for commercial inspection of them. During Fiscal Year 1972, 42 carriers' offices were visited. Eighty-three exporters and 899 lots of fruit were involved. The Acts and regulations were explained to carrier personnel, and files were checked for compliance.

F. Cotton Research and Promotion Act

The Cotton Research and Promotion Act was enacted on July 13, 1966, "to enable cotton growers to establish, finance, and carry out a coordinated program of research and promotion to improve the competitive position of, and to expand markets for, cotton". The Act, and the Secretary of Agriculture's order issued pursuant to the Act, provide for a producer assessment of \$1 on each bale of upland cotton to carry out a program of research and promotion for cotton.

Continuing surveillance of the program is made by the Department to insure that operations are carried out in accordance with the Act and Order.

During the year three cotton handlers were found to be in violation of Cotton Board Rules and Regulations by U.S. District Courts and in each case civil penalties were assessed. Mandatory injunctions also were issued against future violations. Four additional enforcement actions have been filed and are waiting final action.

Through June 30, 1972 the Cotton Board had collected \$1 per bale assessments on 9,970,000 bales of upland cotton from the 1971-72 crop. This is equivalent to 96.1 percent of total upland ginnings. Additional collections on 1971 ginnings are expected to bring final collections close to 99.0 percent.



Refunds were made to producers on 1,057,000 bales of 1971-72 upland cotton. This is about 10.6 percent of collections through June 30, 1972. Refunds on 1970 crop cotton were equivalent to 10.3 percent of collections.

G. Plant Variety Protection Act

The Plant Variety Protection Act was passed December 24, 1970. Its purpose is to encourage the development of novel varieties of sexually reproduced plants and to make them available to the public, providing protection to those who breed, develop or discover them.

A Plant Variety Protection Office has been established in the Agricultural Marketing Service to administer the provisions of the Act. This Office will issue certificates of plant variety protection to developers of novel varieties of sexually reproduced plants, providing them with exclusive rights to sell, reproduce, import or export such varieties, or use them in the production of hybrids or different varieties for a period of 17 years.

A Plant Variety Protection Board has been established to advise the Secretary of Agriculture on regulations and appeals under the Act.

A total of 259 applications for plant variety protection involving 55 kinds of agricultural, vegetable, and flower seeds, were received as of June 30, 1972.

No applications were completely processed for issuance of certificates in Fiscal Year 1972. Final processing was awaiting promulgation of regulations.

H. Federal Cost of Regulatory Activities:

	<u>1972</u>	<u>1973 Est.</u>
Total cost of activity .....	\$8,599,017	\$8,708,000
Less reimbursements .....	<u>3,049</u>	<u>2,000</u>
Paid from appropriation .....	8,595,968	8,706,000
Less income to General Revenue Fund of the Treasury .....	<u>107,415</u>	<u>107,000</u>
Net cost to taxpayer .....	8,488,553	8,599,000
Percent of total cost charged to taxpayer .....	98.7	98.7
Percent of total cost covered by revenue .....	1.3	1.3

#### 4. Administration and Coordination of State Payments

Current Activities: Federal assistance is provided to the Federal-State Marketing Improvement Programs carried on by States and financed, in part, by Federal funds appropriated under the item "Payments to States and Possessions."

The principal Federal responsibilities in this program are to assist each cooperating State to develop and direct its programs; to analyze and evaluate projects submitted by the States; to approve those projects which have the greatest merit and need and which supplement the whole Federal-State marketing program; and to conduct periodic examinations and re-evaluations of the State programs to insure effective use of the matched funds paid to States. Information on the application of research results and on best known techniques from other States, USDA programs and industry is furnished to each State as it becomes available. The projects--all in the field of marketing service--fall into four major categories: (1) improved marketability of agricultural products, (2) domestic and international commodity market development, (3) economic and physical efficiency of marketing, and (4) improved marketing information.

During 1972, Federal-State Marketing Improvement work was conducted under 143 projects adapted to individual State and local marketing problems in 46 States. This compares with 143 projects in 44 States in 1971.

Members of the Staff visited 32 States cooperating in the program in order to (1) assess the progress being made; (2) assist with operating problems; (3) make known improvements developed in other States; and (4) examine financial accounts pertaining to the program to ascertain whether expenditures of matching funds were made for approved project activities and in accordance with legal restrictions.

(b) Payments to States and Possessions

Appropriation Act, 1973 .....	\$2,500,000
Budget Estimate, 1974 .....	<u>1,600,000</u>
Decrease .....	<u>-900,000</u>

PROJECT STATEMENT

Project	: 1972	: 1973	: Increase	:
	: Actual	: Estimate	: or	: 1974
			: Decrease	: Estimate
Payments for marketing service	:	:	:	:
work under Section 204(b) of	:	:	:	:
the Agricultural Marketing Act	:	:	:	(1):
of 1946 .....	\$1,600,000:	\$2,500,000:	-\$900,000	\$1,600,000
Total Appropriation .....	1,600,000:	2,500,000:	-900,000	1,600,000

- 1) A decrease of \$900,000 to maintain the program at the 1973 budgeted level of \$1,600,000.

States are expected to assume a larger role in developing and carrying out programs in which benefits accrue primarily to individual States. Under the Agricultural Marketing Act of 1946, States may contribute a larger share of the cost of the program than that proportion required to match Federal funds. Federal funds will be used to encourage and influence the initiation and direction of marketing work performed by the States. The decrease proposed for 1974 represents funds which were withheld from use in 1973. Consequently, the amount requested in 1974 is equal to the amount made available to States in 1973 and in 1972.



## STATUS OF PROGRAM

Current Activities: The Federal-State Marketing Improvement Program is designed to bridge the gap between research and its practical use by producers and marketing agencies, in addition to encouraging use of the best known and most effective marketing methods and practices by all parts of the marketing chain. It enables producers and marketing agencies to apply new and improved methods and practices which aid in expanding outlets of agricultural products, providing more reliable market data, improving producer bargaining strength, reducing deterioration and spoilage of farm products, moving seasonal commodity surpluses to their best market, increasing agricultural exports, and reducing marketing costs. The program also furthers the development of improvements in marketing services through experimentation with new methods and procedures.

Federal payments, authorized by Section 204(b) of the Agricultural Marketing Act of 1946, are made under cooperative agreements between the U. S. Department of Agriculture and State Departments of Agriculture, and similar State agencies. These agreements provide for eligible marketing service activities on a matching fund basis. The States contribute at least half of the cost and perform the work with State personnel.

The amount of the Federal payment to a State is based upon an evaluation of the relative urgency of the marketing problems confronting the producers, shippers and marketing agencies in the State, the probable effectiveness of the plan proposed by State specialists for solving or alleviating the problems, the capability of State personnel to aid marketers in carrying out the proposed program, and the availability of Federal matching funds.

Work under this program is divided into four major activities:

1. Improved marketability of agricultural products. Projects in this category include (1) determining and correcting causes of off-quality products in the marketing channel; (2) giving assistance to processors and marketing agencies on methods of preventing deterioration of products during processing, in transit and in storage; (3) determining preferences of mass merchandisers, institutions, and other major buyers in domestic markets as to package type and size, product quality, and price levels; (4) evaluating various containers and providing marketing firms with information on which containers will best protect quality and condition; (5) developing more effective and economical techniques of identifying grade characteristics of products, using Federal-State grades and standards where available; (6) assisting in the development and adoption by the States of uniform marketing laws for products moving in interstate commerce; (7) supporting on-going consumer protection services by providing special problem-solving technical assistance to producers and marketing agencies encountering difficulties in meeting tolerance levels for contamination or adulteration; and (8) providing technical assistance and information to marketing agencies, processors, commodity groups, and farm organizations on the quality, packaging, and other trade requirements of international markets.
2. Domestic and international agricultural commodity market development. (1) Programs are designed to assist individual agricultural commodity groups in (a) planning their domestic and international advertising and merchandising programs, (b) determining the effectiveness of these programs, and (c) developing needed improvements. (2) Performing special farm product promotional programs (a) in response to unusual and acute marketing problems experienced from time to time by a commodity having serious market price and movement problems, and (b) to introduce new products. (3) Participating in international market development activities in cooperation with Foreign Agricultural Service.



3. Economic and physical efficiency of agricultural marketing. Projects under this activity are concerned with: (1) Providing technical assistance to agricultural producer groups and local marketing agencies in organizing selling and bargaining efforts; (2) exploiting the full potential of all marketing outlets or alternatives; (3) providing organizational and technical assistance to producer-supported research and promotion self-help programs for agricultural products once they have been authorized under State enabling legislation; (4) providing assistance in assessing the effect on net returns to producers of various price and non-price terms of grower-processor and grower retailer contacts; (5) providing contract advisory services and data to help insure equal negotiating posture between contracting parties; (6) helping producer groups, marketing agencies and firms to determine the feasibility of and need for new or expanded food or fiber marketing and processing facilities, and where feasibility is established assist these groups in determining the proper size, type, location and layout of such facilities and in obtaining financing for their construction; (7) obtaining reduced freight rates and improved transportation services for farm products; (8) assisting marketing agencies in the application of more efficient methods of handling, loading, and unloading rail, truck, air and sea carriers; and (9) helping to develop more effective consumer protection and marketing regulatory programs for farm products by studying the effectiveness and efficiencies of current State programs and surveying the need for new programs.
4. Improved marketing information. Projects under this activity include (1) collecting, tabulating and disseminating to producers and marketers basic statistical information on production trends for selected farm products; (2) experimental application of short-term farm product supply forecasting techniques that may emerge from the applied research stage; (3) working with research institutions in developing more useful types of supply, price and demand information and more timely release techniques; (4) providing special information on fresh fruits and vegetables by local area on maturity, probable dates of harvest, quality and market movements and trends; (5) preparing and issuing buyers' guides for various fresh and processed farm products; (6) surveying the need for conducting pilot market news programs to test the need for added coverage for specific commodities including market information on grower-processor contract prices and terms and to test new concepts and techniques for collecting, analyzing and reporting market news; and (7) accumulating data on raw product concentration areas as needed to support feasibility appraisals of farm product processing and marketing facilities.

During 1972, State and multi-State marketing service work was conducted under the Federal-State Marketing Improvement Program in 46 States, with a total of 143 separate projects. Funds made available to the States have been effective in bringing about a closer relationship between the State groups, and the projects directly complement and supplement the marketing programs conducted by USDA. The interchange of information on projects and progress among the States and between the States and the USDA have made available the best known research results and technical assistance to the States. Methods and procedures developed in some States under this appropriation have been adopted by other States, once the programs have become workable. Continuing efforts are made to adapt marketing programs in the various States to current needs, and to improve their effectiveness and scope.

States are constantly being encouraged to develop new areas of service, and to experiment with new approaches to marketing problems in order to assist producers and handlers of agricultural products in keeping abreast of changes in the marketing structure.

Examples of Recent Progress and Trends:

- a. Tennessee assisted producers and marketing agencies in organizing graded sales of feeder calves and feeder pigs, resulting in increased income to livestock producers. The first graded feeder calf sales using USDA grades were held in 1970 and 5,000 calves were sold through the eight sales. During the fall of 1971, 62,120 feeder calves were sold through 72 graded sales. These calves averaged approximately \$10 per head more than those sold through regular marketing channels for an increase of \$621,000 to producers. The Tennessee Department also assisted in 438 graded feeder pig sales, through which 704,000 pigs were sold for a total of \$10,250,000 or \$1,408,000 above what the pig producers would have received if marketed directly to order buyers.
- b. Strawberry growers in one area of West Virginia were assisted in maintaining quality of their berries in order to get them to the market approximately 150 miles away. Rainfall and climate during the period when the berries were ripening resulted in a berry with high moisture content that would spoil in the market place even though they had been hauled on refrigerated trucks. After studying the situation and trying various methods of picking, packing and shipping, State Department of Agriculture personnel developed a technique for extending shelf life that proved satisfactory. A walk-in cooler with extra air circulation to remove the excess surface moisture from the berries was installed at the field. The berries were moved from the field to the cooler as soon as practical; then held overnight until they were thoroughly cooled and excess moisture removed prior to shipment to market. Berries this year averaged \$9.00 per 16-quart crate compared to \$6.00 per crate the past year.

Representatives of the Marketing Services Division attended FAS sponsored trade shows in Germany and Japan. Assistance was given participating companies with shipping, labeling and displays. A total of 21 Minnesota companies displayed their products at these shows resulting in sales of \$1,180,500 to Japanese and European companies. In addition, visiting buyers from twelve countries were put in touch with Minnesota companies and producers. The State continued its successful export program during the past year making greater use of trade leads and briefs from FAS, Trade Opportunity Referral System (TORS) operated by FAS, as well as the Services of Mid-America International Agri-Trade Council (MIATCO). In addition, product availability information from Minnesota processors and shippers was fed into TORS.

- c. In Virginia, marketing agents assisted with the formation of the Virginia Eastern Lamb Producers Cooperative to bring increased buying power in Southwest Virginia. The cooperative is a three-State producer marketing organization, including Virginia, West Virginia, and North Carolina. In addition to organizing the cooperative, a Tel-O-Auction method of selling lambs was established and Eastern United States and Canadian lamb processors were contacted. Nine U.S. and two Canadian processors participated in the sales, with 22,000 lambs sold in 1971-1972 at prices averaging \$1.25 per head higher than regular auction sales.
- e. California conducted a study to assist shippers of specialty crops regain their former position in the European market. The study was aimed at increasing export market potential for agricultural products by identifying and evaluating various methods of reducing total off-shore transportation costs. After exploring several alternatives, it was concluded that substantial savings in off-shore transportation could be attained if a sufficient number of shippers pooled their tonnage to develop the required bargaining strength, and the best vehicle to accomplish this was forming an association authorized by the Webb-Pomerene Export Act of 1918 (an Act to promote export trade and for other purposes). A Department specialist worked closely with interested shippers through numerous meetings as well as preparing sample documents needed in the operation of a Webb-Pomerene Association. The shipper groups decided to form an association called Pacific Agricultural Cooperative for



Export, Inc. (PACE). The documents were filed with the California Secretary of State and PACE became a California nonprofit organization on May 31, 1972. Primary emphasis will be placed on exporting processed fruits and vegetables, dried fruit and tree nuts, and rice and other grain crops.

- f. During the past year, North Carolina initiated a new service of assisting in the development of low-income cooperative ventures. This service consists of original contact and subsequent meetings with interested producers to impress upon them the value and magnitude of a cooperative venture and their responsibilities as cooperative members. Specialists also made economic analyses, some in cooperation with extension service, to appraise need and justification of a new organization. If studies prove that savings can be made, an organization is developed, and assistance provided in setting up the cooperative and working with the leadership through training programs for its board of directors. Seven new cooperatives were organized during the first year that this program was in operation. One vegetable cooperative organized by 11 farmers and in operation less than 6 months realized \$11,000 in additional returns to members through savings in operations and price increases brought about by improved bargaining strength.
- g. The Nebraska wheat quality and variety survey was continued under the marketing improvement program. This survey has been a valuable marketing tool for Nebraska wheat producers and the grain trade, including millers for many years. During the past year, with the inauguration of protein and mixing characteristics, the survey assumed even greater stature. Variety statistics by test weight and yield were presented for Kansas, Colorado, Wyoming, and Oklahoma in the survey report, as well as for Nebraska. The availability of the quality information is important in setting premium rates for high protein wheat. The premiums added an average of 4.5 cents per bushel for counties with high protein. This amounted to a gain of nearly \$1.1 million for the 1971 crop that was eligible for premium payments.
- h. New Mexico assisted its apple industry through a cooperative approach between the Department of Agriculture and the Cooperative Extension Service to improve market information services. The separation and isolation of the six apple producing districts hindered communication as well as making it difficult for most growers to obtain current market information. Market service personnel gathered information pertaining to markets, market prices, quality and quantity of supplies available. This information was distributed to growers and buyers in the form of a newsletter and current information was also available on a telephone recording that growers could call. As a result, apple growers received higher prices for their fruit last season than they had during the previous three seasons, for an increase of approximately \$120,000 to the industry.

State Participation by Field of Work

Field of Work	1972			1973 Estimated		
	No. of States	No. of Projects	Payments	No. of States	No. of Projects	Payments
1. Improved Marketability of Agricultural Products .....	30	35	\$446,328	29	34	\$484,088
2. Domestic and International Agricultural Commodity Market Development ....	30	30	420,411	27	27	408,735
3. Economic and Physical Efficiency of Marketing .....	24	28	369,875	26	31	343,656
4. Improved Marketing Information ....	31	48	363,386	29	43	363,521
Total .....	XX	XX	\$1,600,000	XX	XX	\$1,600,000

Number of States and Projects by Commodity Field

Commodity	1972		1973 Estimated	
	Number of States	Number of Projects	Number of States	Number of Projects
Fruit and Vegetable .....	38	85	38	78
Poultry and eggs .....	25	38	17	22
Dairy products .....	16	23	14	18
Livestock and meats .....	29	62	30	52
Grain and seed .....	22	38	19	33
Other a/ .....	24	35	26	36

a/ Includes nuts, tobacco, cotton, flowers, timber and maple syrup; and cross commodity work in transportation and export marketing.

Distribution of Payments: The distribution of the Federal Payments by States for 1972 and 1973 are shown in the following table:

Distribution of Payments by States

State	Fiscal Year 1972	Fiscal Year 1973
Alabama .....	\$22,907	\$22,907
Alaska .....	14,202	14,202
Arkansas .....	13,566	12,856
California .....	32,766	36,932
Colorado .....	24,936	24,936
Connecticut ... ..	16,431	18,722
Florida .....	95,190	95,190
Georgia .....	30,000	28,636
Hawaii .....	17,829	17,829
Idaho .....	5,750	--
Illinois .....	30,237	34,237
Indiana .....	64,140	64,140
Iowa .....	12,500	12,500
Kansas .....	63,223	63,223
Kentucky .....	43,065	43,065
Louisiana .....	82,465	82,465
Maine .....	43,065	43,065
Maryland .....	27,600	27,600
Massachusetts .....	18,326	18,326
Michigan .....	36,671	35,043
Minnesota .....	45,000	45,000
Mississippi .....	69,000	71,000
Missouri .....	47,564	47,564
Montana .....	12,141	5,604
Nebraska .....	25,000	25,000
New Hampshire .....	4,500	4,500
New Jersey .....	59,558	59,558
New Mexico .....	6,500	6,500
New York .....	86,522	83,355
North Carolina .....	81,302	81,302
North Dakota .....	38,499	38,499
Ohio .....	1,581	1,581
Oklahoma .....	30,237	30,237
Oregon .....	17,500	20,500
Pennsylvania .....	30,271	30,271
South Carolina .....	27,031	30,031
South Dakota .....	12,828	12,828
Tennessee .....	25,100	25,100
Texas .....	40,316	40,316
Utah .....	6,250	6,250
Vermont .....	19,840	19,204
Virgin Islands .....	13,000	13,000
Virginia .....	77,219	77,219
Washington .....	19,665	21,000
West Virginia .....	60,726	60,726
Wisconsin .....	47,981	47,981
Total .....	\$1,600,000	\$1,600,000

(c) Perishable Agricultural Commodities Act Fund

Appropriation Act, 1973 (from receipts) .....	\$1,356,000
Budget Estimate, 1974 (from receipts) .....	<u>1,356,000</u>
Increase in Appropriation .....	<u>    --    </u>

PROJECT STATEMENT  
(On basis of available funds)

Project	: 1972	: 1973	: Increase	:
	: Actual	: Estimate	: or	: 1974
			: Decrease	: Estimate
Licensing dealers and handling	:	:	:	:
complaints .....	\$1,206,273:	\$1,346,300:	--	\$1,346,300
Recovery of prior year obligations..	-459:	--	--	--
Unobligated balance brought	:	:	:	:
forward .....	-252,193:	-161,411:	-\$9,700:	-171,111
Unobligated balance carried	:	:	:	:
forward .....	161,411:	171,111:	+9,700:	180,811
Total Available or Estimate .....	1,115,032:	1,356,000:	--	1,356,000

License fees are deposited in this special fund and are used to meet the costs of administering the Perishable Agricultural Commodities and the Produce Agency Acts (7 U.S.C. 490-497, 499a-499s). The law currently provides that annual license fees may be set at a maximum of \$100. Effective July 1, 1972, the fee was increased from \$60 to \$75.

The acts are intended to assure equitable treatment to farmers and others in the marketing of fresh and frozen fruits and vegetables. Commission merchants, dealers, and brokers handling these products in interstate and foreign commerce are licensed. Complaints of violations are investigated and violations dealt with by (a) informal agreements between the two parties, (b) formal decisions involving payment of reparation awards, and (c) suspension or revocation of license and/or publication of the facts.





STATUS OF PROGRAM

Current Activities: This special fund, comprised of annual license fees, is used for the administration of the Perishable Agricultural Commodities Act and the Produce Agency Act. These laws are designed to: (1) protect producers, shippers, distributors, and retailers from unfair and fraudulent practices in the marketing of perishable agricultural commodities; and (2) prevent the unwarranted destruction or dumping of farm products handled for and on behalf of others.

Commission merchants, dealers, and brokers engaged in the business of handling fresh or frozen fruits and vegetables in interstate or foreign commerce must be licensed under the Perishable Agricultural Commodities Act (PACA). In addition, large retailers are subject to the Act, and are required to be licensed. Those who handle produce for the account of others are required to give a true and correct accounting to their principals. Buyers and sellers must live up to the terms of their contracts, and buyers must pay promptly for their purchases. False or misleading statements, misbranding, etc., are prohibited.

Any interested party or agency may request the assistance of the Department in settling disputes under the Perishable Agricultural Commodities Act. When there is an apparent violation of the Act, the Department will communicate with the respondent party, make necessary investigation, and endeavor to bring about an amicable informal settlement. Where informal settlement of a dispute cannot be arranged, the complainant is afforded the opportunity to file and pursue a formal complaint under the law. In all proceedings each party has an opportunity to present his side fully. The Department determines whether a violation exists, the loss or amount of damages to be paid, and issues a formal order calling for reparation where appropriate. If violations are repeated or flagrant, disciplinary action may be taken by the Department to suspend or revoke the offender's license.

Activities under these Acts include licensing, collecting fees, investigating and handling complaints, making spot checks for misbranded produce, and working with growers, shippers, and receivers to bring about better understanding of the Act and regulations in order to reduce the number of potential complaints.

Licensing and Bonding Activities: At the end of Fiscal Year 1972, 17,687 licenses were in effect, a net decline of 179 from 1971. The trend toward mergers and consolidations of firms in the produce business, which has been proceeding at an accelerated pace for about the last ten years, is continuing.

Licensing Activities - 1970-1972

Activity	Fiscal Year		
	1970	1971	1972
Licenses renewed .....	16,469	15,982	15,485
New licenses issued .....	1,848	1,884	2,202
Licenses terminated .....	2,678	2,335	2,381
In effect June 30 .....	18,317	17,866	17,687

There are a total of 67 bonds of all types currently in effect under the Act. During the year, nine firms furnished bonds under the employment provisions of the Act in amounts ranging from \$5,000 to \$15,000. Including the bonds previously furnished under these provisions, there was a total of 59 bonds in effect under the employment provisions of the Act at the end of the year.

## FINANCING:

License Fees: Annual license fees, together with arrearage fees, are deposited into a special fund. All AMS expenses for administration of the Perishable Agricultural Commodities and Produce Agency Acts are paid from this fund. Since the number of firms subject to license continues to decline, consequently reducing revenue, the Department increased the annual license fee from \$60 to \$75 on July 1, 1972.

## Examples of Recent Progress and Trends:

### A. Perishable Agricultural Commodities Act

1. PACA - Industry Conference Group Meeting. The 1972 meeting of the PACA - Industry Conference Group was held in Chicago, Illinois, February 5. Among the subjects discussed by the Group were: (1) proposed amendments to the Act intended to speed up handling of reparation complaints; (2) revision of the rules of practice to carry out the purpose of the amendments relating to reparation complaint cases; (3) revisions of the regulations providing for full payment promptly; and (4) the financial status of the PACA fund.

The Group recommended a procedure for handling the award of reasonable fees and expenses in certain reparation cases; proposed a revision of the regulations to re-define "full payment promptly"; and recommended increasing the license fee to \$75.

2. Amendment to PACA. The Act was amended on February 15, 1972, under Public Law 92-281, as follows:

- (1) To provide that an oral hearing need not be held in a reparation proceeding unless the amount claimed as damages exceeds \$3,000, and
- (2) To provide that in the order issued by the Department following an oral hearing on a reparation complaint, the prevailing party would be allowed reasonable fees and expenses incurred in connection with the hearing.

3. Informal Reparation Complaints. During Fiscal Year 1972, 13,865 inquiries were received from members of the industry seeking advice concerning contract disputes. The assistance rendered has enabled traders to avoid many marketing problems which could have resulted in the filing of complaints and increased the Department's workload.

There were 1,764 new reparation cases filed this year, as compared to 1,872 filed last year. Amicable settlements were arranged in 945 cases. These settlements resulted in payments to disputing parties totaling \$2,284,853.

4. Formal Reparation Complaints. In 1972, there were 450 formal decisions and orders issued by the Judicial Officer, as compared with 487 decisions last year. Reparations were awarded in 327 of the decisions amounting to \$1,219,609.

The Judicial Officer dismissed 49 complaints due to lack of evidence or as a result of settlements between the parties after formal complaints had been filed.

The PACA licenses of 60 firms were automatically suspended this year because of failure to pay reparation awards, as compared to 49 suspensions last year. Appeals were filed in U.S. District Courts from nine reparation awards issued this year. Last year 12 such appeals were filed.

5. Disciplinary Actions. A PACA licensee who commits repeated or flagrant violations of the Act and the regulations is subject to formal disciplinary action by the Department seeking revocation or suspension of the firm's license. Court penalties are provided for operating subject to the Act without a valid license.

The Judicial Officer issued 27 formal disciplinary orders this year, as compared with 24 last year. Eight orders were issued revoking the licenses of firms which had failed repeatedly to pay for produce purchased in interstate commerce. A total of 11 orders were issued against firms found guilty of repeated and flagrant violations of the Act. This action is equivalent to license revocation but is taken if a firm has allowed its license to terminate prior to the disciplinary action. Usually such firms have closed or gone into bankruptcy.

Five orders were issued suspending the licenses of firms for periods ranging from 14 days to 90 days for violations involving misbranding or failure to pay for produce purchased.

In two other cases, investigation showed that firms were operating subject to the Act without a valid license. The U.S. District Court imposed a fine of \$500 in one case and permanently enjoined the violator from trading in the produce business without a valid license. The other case has not been concluded.

6. Misbranding. It is a violation of the Act to misrepresent the grade, quality, weight, State of origin, etc., of fruits and vegetables shipped in interstate or foreign commerce. The Department monitors for misbranding through spot checks in the terminal markets since this permits sampling of shipments from all shipping areas. This effort is supplemented by spot checks in particular production areas where indications are that the greatest number of violations probably are being committed.

In 1972, the Judicial Officer issued an order suspending the license of one firm found guilty of repeated or flagrant misbranding violations.

7. Summary of Workload, 1971-1973

Activity	Fiscal Year		
	1971	1972	1973 (Est.)
<u>Actions Completed:</u>			
a. License actions .....	18,151	18,539	18,000
b. Reparation actions .....	15,930	16,573	17,000
c. Disciplinary actions .....	163	160	170
d. Misbranding actions .....	1,019	1,115	1,200
e. Personal investigations .....	1,233	1,470	1,570
<u>Reparations:</u>			
Awarded - Formal orders .....	\$1,325,901	\$1,219,609	\$1,400,000
Payments - Amicable settlements .	2,792,422	2,284,853	2,800,000
Total .....	4,118,323	3,504,462	4,200,000

B. Produce Agency Act

The Produce Agency Act is designed to prevent the destruction or dumping without sufficient cause, of farm produce received in interstate commerce on consignment and to require commission merchants to truly and correctly account for such shipments.

This year, five new complaints were filed and three cases were carried over from last year. Three cases were settled on an amicable basis. At the end of the year, five cases were pending.





# PASSENGER MOTOR VEHICLES

The 1974 Estimates provide for the replacement of 7 passenger motor vehicles. This represents 25 percent of the total 29 passenger motor vehicles available to the Agricultural Marketing Service.

The 7 replacements in Fiscal Year 1974 are for Marketing Services activities.

Passenger motor vehicles are replaced on the basis of justifications with respect to mileage and age standards prescribed by the General Services Administration. These standards provide that to be replaced vehicles must be at least six or more years of age, or have been driven 60,000 miles or more, and other factors.

The number of passenger motor vehicles estimated to be available for 1974 represents the minimum required to maintain essential services of the current programs of the Agricultural Marketing Service. These cars are used in providing the following necessary services: (1) carrying special grading and testing equipment used for inspection and grading commodities and for performing other work required under United States Warehouse Act, Cotton Acts, and Naval Stores Act; (2) carrying boxes of cotton standards types used in classing work and demonstrations at farmers' meetings, and for carrying market news releases and related material for distribution at tobacco auction markets and in connection with assistance to farmers in preparing tobacco for market; (3) traveling to places which are in most cases not accessible by common carriers, such as farms, market terminals, offices of product dealers and truckers, processing plants, canneries, stockyards, tobacco auction markets, cotton gins, plantation and compress operators.

The age and mileage data for passenger motor vehicles on hand as of June 30, 1972 is as follows:

<u>Age - Year Model</u>	<u>Number of Vehicles</u>	<u>Percent : of Total :</u>	<u>Lifetime Mileage (thous.)</u>	<u>Number of Vehicles</u>	<u>Percent of Total</u>
1964	1	3			
1965	2	7	Over 70	-	-
1966	2	7	60-70	2	7
1967	1	3	50-60	7	24
1968	6	21	40-50	7	24
1969	7	25	30-40	3	10
1970	1	3	20-30	2	7
1971	9	31	10-20	8	28
1972	-	-	Under 10	-	-
Total	<u>29</u>	<u>100</u>		Total	<u>29</u> <u>100</u>





Funds for Strengthening Markets, Income, and Supply  
(Section 32)

Appropriation Act, 1973 .....	\$959,086,821
Transfers to:	
Department of Commerce to "Promote and develop fishery products and research pertaining to American fisheries, Fish and Wildlife Service", 84th Congress .....	-10,041,663
Child Nutrition Programs, Food and Nutrition Service .....	-119,165,000
Foreign Agricultural Service .....	-3,117,000
Agricultural Research Service .....	-15,000,000
Base for 1974 .....	811,763,158
Budget Estimate, 1974:	
Annual permanent appropriation .....	\$930,000,000
Less transfers to:	
Department of Commerce .....	-6,900,000
Child Nutrition Programs .....	-199,631,000
Foreign Agricultural Service .....	-3,117,000
Agricultural Research Service .....	-15,000,000
Total Budget Estimate, 1974 .....	705,352,000
Decrease in program level .....	-106,411,158

PROJECT STATEMENT

Project	1972 Actual	1973 Estimate	Increase or Decrease	1974 Estimate
1. <u>Commodity Program</u>				
<u>Payments:</u>				
a. Direct purchases ...	\$261,740,852	\$230,827,000	-\$3,960,000 (1)	\$226,867,000
b. Export payments ....	2,908,226	2,500,000	-2,500,000 (2)	- -
c. Financial assistance :				
to States .....	17,658,795	16,700,000	-2,700,000 (3)	14,000,000
2. <u>Special Feeding</u>				
<u>Program</u> .....	320,935,306	1/567,446,000	-58,886,000 (4)	508,560,000
3. <u>Surplus Removal</u>				
<u>Operating Expenses</u> ....	7,580,599	8,050,000	- -	8,050,000
4. <u>Marketing Agreements</u>				
<u>and Orders</u> .....	2,940,621	3,314,000	- -	3,314,000
Total Obligations .....	613,764,399	828,837,000	-68,046,000	760,791,000
Recovery of prior year				
obligations .....	-62,435	- -	- -	- -
Unobligated balance start				
of year .....	-300,000,000	-194,472,738	+17,073,842	-177,398,896
Unobligated balance end				
of year .....	194,472,738	177,398,896	-55,439,000	121,959,896
Total Available or				
Estimate .....	508,174,702	811,763,158	-106,411,158	705,352,000

1/ Excludes a proposed supplemental appropriation for fiscal year 1973 of \$21,960,000 for free and reduced-price lunches under the Special Feeding program.

Basis for Estimate

The appropriation, based on 30 percent of customs receipts, is \$930,000,000, a decrease of \$29.1 million from the total appropriation in 1973. The appropriation in 1973 contained \$141.0 million in surcharges, which will not be available in 1974. Assuming enactment of the proposed supplemental in 1973, the estimated unobligated balance will be about \$100 million at the end of fiscal year 1974.

### Fund Availability and Balances

Section 32 funds are used to encourage exportation and domestic consumption of agricultural products and contribute to stabilizing market prices either through announcements that the Department stands ready to enter the market or by actual participation in the market. The extent to which funds actually will be obligated and expended, for perishables and other surplus removal programs, will depend upon the market situation which develops as peak marketing seasons approach. The type of program to be developed also depends upon the kind and volume of existing surpluses and the availability of potential outlets. Generally, surpluses are removed from the market through purchases, which are then donated to schools, institutions, and needy persons.

Section 32 funds are also being used for:

- (1) Financial assistance to enable certain low income counties to operate a food distribution program, and for direct USDA operation of food distribution programs.
- (2) A food certificate program for expectant and new mothers and infants.
- (3) Special supplementary food packages for expectant and new mothers and infants.
- (4) Child feeding programs and nutritional programs authorized by law in the School Lunch Act and the Child Nutrition Act.

The following table summarizes the estimated total funds available for Section 32 activities and the estimated balance carried forward for fiscal years 1972, 1973, and 1974.

Item	: 1972 : Actual	: 1973 : Estimate	: 1974 : Estimate
Appropriation or estimate .....	\$765,887,346	\$959,086,821	\$930,000,000
Balance available from prior years .....	300,000,000	194,472,738	177,398,896
Recovery of prior year obligations .....	62,435	- -	- -
Transfers to:			
Child Nutrition Programs .....	-232,043,000	-119,165,000	-199,631,000
Agricultural Research Service .....	-15,000,000	-15,000,000	-15,000,000
Foreign Agricultural Service .....	-3,117,000	-3,117,000	-3,117,000
Department of Commerce .....	-7,552,644	-10,041,663	-6,900,000
Total available after transfers .....	808,237,137	1,006,235,896	882,750,896
Obligations <u>1/</u> .....	613,764,399	828,837,000	760,791,000
Unobligated balance carried forward to			
subsequent years .....	194,472,738	177,398,896	121,959,896

1/ Excludes a supplemental appropriation in fiscal year 1973 of \$21,960,000 for free and reduced-price lunches.

### Increase or Decrease

The net decrease of \$68,046,000 in 1974 for activities carried out under this appropriation consists of:

- (1)(2)(3) A net decrease of \$9,160,000 for commodity program payments consisting of:
  - (a) A decrease of \$3,960,000 for direct purchases (\$230,827,000 available in 1973). A total of \$226,867,000 is projected for 1974 for direct

purchases. It is believed that this amount, and if necessary the approximately \$100 million carry-over, will be adequate to meet foreseeable surplus problems. Actual program operations will depend on economic conditions and the need for the removal of price-depressing surpluses from the market. Of the commodities purchases, it is expected that they will be distributed as follows:

Schools .....	\$92,575,000
Families .....	132,695,000
Institutions .....	<u>1,597,000</u>
Total, Section 32 .....	226,867,000

This is in addition to commodities supplied from Section 416 of the Commodity Credit Corporation as follows:

Schools .....	\$156,800,000
Families .....	93,122,000
Institutions .....	<u>24,700,000</u>
Total, Section 416 .....	274,622,000

- (b) A decrease of \$2,500,000 for export payments (\$2,500,000 available in 1973). The export programs for lard exported to the United Kingdom and chickens exported to Switzerland, have been terminated as of January 11, 1973.
- (c) A decrease of \$2,700,000 for financial assistance to States (\$16,700,000 available in 1973). Funds under this program are allocated to State agencies responsible for distributing commodities. These funds may be used only to initiate, expand or improve commodity distribution programs. The conversion of counties from commodity distribution programs to the food stamp program has reduced the total funds required for this program.
- (4) A decrease of \$58,886,000 for special feeding program payments (\$567,446,000 <sup>a/</sup> available in 1973). The Appropriation Act for fiscal year 1973 authorizes Section 32 funds to be used for child feeding programs and nutritional programs authorized by law in the School Lunch Act and the Child Nutrition Act, as amended; and additional direct distribution or other programs, without regard to whether such area is under the food stamp program or a system of direct distribution, to provide, in the immediate vicinity of their place of permanent residence, either directly or through a State or local welfare agency, an adequate diet to other needy children and low-income persons determined by the Secretary of Agriculture to be suffering, through no fault of their own, from general and continued hunger resulting from insufficient food.

For 1974, a decrease of \$58,886,000 (excluding proposed supplemental of \$21,960,000 in 1973) is projected. However, this decrease will be more than offset by increases in the direct appropriation for the same programs. The following table shows amounts provided from both direct appropriations and special feeding program amounts. A complete justification is included in the "Child Nutrition Programs" of the Food and Nutrition Service.

a/ Excludes supplemental of \$21,960,000 requested in 1973.

Child Nutrition Programs - Budget Authority

Program	FY 1973	FY 1974	Change
A. Child Nutrition Program:			
1. Cash Grants to States:			
(a) School Lunch (Section 4):			
Child Nutrition Programs ...	\$225,747	\$348,000	\$122,253
Special Feeding Program			
(Section 32) .....	114,253	- -	-114,253
Subtotal .....	340,000	348,000	+8,000
(b) Free and Reduced-Price Lunches:			
Child Nutrition Programs ...	237,047	237,040	-7
Special Feeding Program			
(Section 32) .....	a/ 352,038	425,960	+73,922
Subtotal .....	589,085	663,000	+73,915
(c) School Breakfast:			
Child Nutrition Programs ...	18,500	60,000	+41,500
Special Feeding Program			
(Section 32) .....	32,415	- -	-32,415
Subtotal .....	50,915	60,000	+9,085
(d) Nonfood Assistance:			
Child Nutrition Programs ...	15,000	16,110	+1,110
Special Feeding Program			
(Section 32) .....	1,110	- -	-1,110
Subtotal .....	16,110	16,110	- -
(e) State Administrative Expenses:			
Child Nutrition Programs ...	1,500	1,500	- -
Special Feeding Program			
(Section 32) .....	2,000	2,000	- -
Subtotal .....	3,500	3,500	- -
(f) Nonschool Food Program:			
Child Nutrition Programs ...	20,775	20,000	-775
Special Feeding Program			
(Section 32) .....	53,225	60,600	+7,375
Subtotal .....	74,000	80,600	+6,600
Total, Cash Grants ..	1,073,610	1,171,210	+97,600
B. Nutrition Supplement Program,			
Special Feeding Program (Section			
32) .....	12,405	20,000	+7,595

a/ Excludes Supplemental of \$21,960,000 requested in 1973.



## STATUS OF PROGRAM

### Current Activities

Under Section 32 of the Act of August 24, 1935, as amended (7 U.S.C. 612c) an amount equal to 30% of customs receipts collected during each preceding calendar year and unused balances up to \$300 million are available for encouraging the domestic consumption and exportation of agricultural commodities. Activities during Fiscal Year 1972 for removing surplus agricultural commodities from the market included:

- A. Purchases of such commodities for distribution through State distributing agencies to schools, summer camps, disaster victims, needy persons and institutions eligible to receive such purchases.
- B. Encouragement of exports through payments which will permit the sale of surplus commodities in foreign markets.
- C. Encouragement of domestic consumption by diversion of surplus commodities from normal channels of trade to by-product and new uses.
- D. Reestablishment of farmers' purchasing power through payments in connection with normal production.

The basic authority also provides that these funds shall be devoted principally to perishable nonbasic agricultural commodities and their products, other than those receiving price support under Title II of the Agricultural Act of 1949, as amended. It has been determined that this provision is legally satisfied by setting aside or reserving the principal portion of Section 32 funds for the use of perishable nonbasic agricultural commodities. Not more than 25% of total funds available under the Act may be used for any one commodity or product thereof.

Section 32 funds are also used for:

- A. Surplus removal operating expenses, including: (1) administrative costs for direct removal of surpluses from the market by the Agricultural Marketing Service and distribution by the Food and Nutrition Service of Section 32 commodities to eligible domestic outlets, and (2) expenses incurred in encouraging domestic consumption of abundant foods through retail outlets.
- B. The administration of marketing agreements and orders intended to establish and maintain orderly marketing conditions for certain commodities and related products.

Section 32 funds have been used to develop and implement additional ways to provide food to needy people and to train them in its use. These include:

- A. A special feeding program which provides:
  - 1. Supplemental food packages available to preschool children, infants, and women during pregnancy and for twelve months thereafter.
  - 2. Food certificates as a pilot program to increase the purchasing power of low income households containing expectant and new mothers and infants.

3. Cash grants to States for free or reduced price lunches to needy students, breakfasts for children who come from low-income households or children who must travel long distances to school, financial assistance to schools for purchase of food preparation and service equipment and financial assistance to States' program administration costs.
  4. Cash grants to provide well balanced meals to pre-school children in group situations and needy school-aged children who can be reached through summer recreational activities when school lunch rooms are closed.
- B. Financial assistance to States to enable countries to distribute food to needy families and to enable USDA to operate food distribution programs in those counties unwilling to initiate a food distribution program.

#### Selected Examples of Recent Progress and Trends

##### A. Commodity Program Payments

1. Direct Purchases: Twelve purchase and two export programs removed more than 1.1 billion pounds of thirty-five different commodities from commercial marketing channels during fiscal year 1972.

Frozen ground pork, canned pork and luncheon meat were purchased under the fiscal year 1972 meat purchase program. Over 175 million pounds of meat was purchased at a cost of over \$99 million. Commercial pork production was down 2 percent from the 1971 record, but was still the second highest on record.

Purchase of poultry products included 34.7 million pounds of canned boned poultry and 29.5 million pounds of egg mix for distribution to needy persons. 34.8 million pounds of canned boned poultry and 45.1 million pounds of frozen turkeys was purchased for donation to schools and institutions. The supply of poultry continued to increase in fiscal year 1972. Broiler supplies were 6 percent above 1971. Turkey production increased only .7 of a percent, but this was on top of a sharp increase the year before. Egg production in fiscal year 1972 was .9 percent above 1971. This continued increase in production further depressed egg prices to producers.

Fruit and Vegetable purchases totaling 448.7 million pounds were made of fresh apples, apple juice, apple sauce, canned corn, cranberries, canned fruit nectar, grape juice, canned green beans, canned peaches, fresh pears, canned pears, canned peas, pineapple juice, dehydrated and frozen french fried potatoes, dried prunes, raisins, canned tomatoes and tomato juice.

The purchase of frozen french fries was the first time the Department had purchased potatoes processed in this form. The french fries were distributed to schools. Reports indicate that they were well received in all sections of the country.

Grain programs included purchases of 56.2 million pounds of dry beans, 1.3 million pounds of lentils, 4.0 million pounds of split peas and 32.8 million pounds of corn syrup was purchased for donation to needy people. 14.5 million pounds of dry beans, .3 million pounds of lentils, 1.3 million pounds of split peas and .4 million pounds of pea soup mix was purchased for donation to schools. The purchase of peas in the form of pea soup mix was made on a trial basis. Preliminary results are highly favorable because of the time saving of school cafeteria labor, compared to the time needed to prepare soup from split peas.

TABLE I - Use Made of Section 32 Funds for Program Operations  
Fiscal Year 1971 and 1972

Item	Fiscal Year 1971		Fiscal Year 1972	
	Pounds	Dollars	Pounds	Dollars
<b>Direct Purchases:</b>				
Apples, Fresh .....	17,068,000	1,400,090	19,622,400	1,669,399
Apple Juice .....	33,300,000	3,150,464	50,719,544	5,198,779
Apple Sauce .....	49,016,880	5,488,108	59,338,575	6,659,698
Beans, Dry .....	82,051,396	9,121,856	70,734,864	9,154,975
Butter .....	66,960,319	47,873,030	--	--
Cheese .....	--	-99,412 2/	--	--
Corn, Canned .....	9,609,600	1,219,949	10,684,800	1,442,060
Corn Syrup .....	25,688,700	3,464,483	32,844,000	4,061,750
Cranberries .....	3,904,175	693,605	4,995,400	917,576
Egg Mix .....	14,193,000	12,148,661	29,538,000	24,087,228
Evaporated Milk .....	95,199,315	15,819,375	90,844,950	15,049,186
Fruit Nectar, Canned .....	--	-14,166 2/	12,623,845	1,260,851
Grapefruit Sections .....	12,673,313	2,412,562	--	140 1/
Grape Juice .....	--	--	14,822,400	2,416,665
Green Beans, Canned .....	12,108,600	1,621,152	11,132,100	1,578,382
Honey .....	3,406,591	667,297	--	1,329 1/
Infant Formula .....	60,000	45,000	180,000	178,691
Infants .....	--	743 1/	1,588,656	202,999
Meat, Ground Beef .....	--	-67,028 2/	--	-5,421 2/
Meat, Canned Chopped .....	72,648,000	35,920,307	--	372,101 1/
Meat, Canned Luncheon .....	--	--	61,416,000	32,078,700
Meat, Canned Pork .....	32,433,600	21,443,066	35,844,000	24,500,106
Meat, Ground Pork .....	76,846,000	41,701,513	78,078,000	42,752,185
Milk, Dry Whole .....	--	--	1,188,027	831,790
Milk, Nonfat Dry .....	--	-64,391 2/	--	--
Onions, Fresh .....	40,000	1,200	--	--
Orange Juice, Frozen Concentrate .....	26,975,000	5,565,805	--	1,674 1/
Orange Juice, Processed .....	64,519,675	6,467,844	--	200,558 1/
Peaches, Canned .....	--	-4,413 2/	24,825,600	3,827,703
Peanut Butter .....	49,919,175	15,927,802	--	109,799 1/
Pears, Canned .....	--	--	30,937,500	5,143,034
Pears, Fresh .....	--	-8,440 2/	37,150,200	4,337,110
Peas, Canned .....	7,257,600	933,501	9,542,400	1,288,184
Peas, Dry Split .....	2,694,400	225,910	5,285,376	419,583
Pea Soup Mix .....	--	--	400,000	117,300
Pineapple Juice .....	--	--	28,652,000	1,565,725
Potatoes, Dehydrated .....	33,780,000	6,426,978	40,920,000	7,501,489
Potatoes, French Fries .....	--	--	23,040,000	3,067,771
Poultry, Canned -Boned .....	44,888,000	30,229,746	69,446,000	42,574,659
Prunes, Dried .....	45,061,440	8,112,365	21,584,640	5,062,885
Raisins .....	--	197,340 1/	8,305,800	1,268,781
Sweet Potatoes, Canned .....	8,820,000	1,152,887	--	3,280 1/
Tomatoes, Canned .....	11,558,400	1,850,817	10,416,000	1,754,560
Tomato Juice .....	34,916,000	3,052,284	29,430,000	3,033,794
Tomato Paste .....	--	-3,173 2/	--	-6,841 2/
Turkeys, Frozen .....	35,000,000	12,106,931	45,150,000	14,992,426
Misc. Adjustments .....	--	-10,776	--	-3,791
Subtotal .....	972,597,179	296,170,872	971,281,077	270,668,852
<b>Exports:</b>				
Chickens .....	9,750,000	1,268,984	12,269,980	1,644,240
Lard .....	271,301,600	2,659,724	125,856,677	1,263,986
<b>Financial Assistance</b> .....	--	13,612,037	--	17,658,795
<b>Total Obligations</b> .....	1,253,648,779	313,711,617	1,109,407,734	291,235,873

1/ Transportation costs of prior year programs.

2/ Reduction in prior year obligations.



Dairy programs included purchase of 90.8 million pounds of evaporated milk, 180 thousand pounds of infant formula and 1.2 million pounds of dry whole milk for distribution to needy people.

2. Export Programs: During FY 1972 the lard export payment program incurred obligations of \$1.3 million on 125.9 million pounds at a standard payment rate of 1 cent per pound. The chicken export program to Switzerland and Greece resulted in obligations of \$1.6 million for 12.3 million pounds.

#### B. Special Feeding Program

Clause 4a of section 32 of the Act of August 24, 1935; as amended (7 U.S.C. 612c) and the Agriculture Environmental and Consumer Protection Appropriation Act, 1972, made funds available for use in supplementing child feeding and nutritional programs authorized by law in the National School Lunch and Child Nutrition Acts, as amended, and for direct distribution and other programs designed to provide an adequate diet to needy children and low-income persons.

The States were authorized to use the section 32 funds to expand the school lunch, special assistance, breakfast, nonfood (equipment), State administrative expense and nonschool food programs.

During fiscal year 1971, three percent of the section 32 funds available were allocated to Puerto Rico, the Virgin Islands, Guam and American Samoa. The remaining funds were allocated to all other States based on a ratio of needy children aged 3 to 17 in each State to the total number of children aged 3 to 17 in all the States. Beginning in fiscal year 1972, these funds are available to the States only on the basis of need as shown by the States' performance in serving meals.

In addition, funds were provided for supplemental food packages for distribution for infants, children aged 1 through 5, and expectant and new mothers from low-income households residing in areas served by the Food Stamp Program. To facilitate acceptance of the food distribution program to needy families, section 32 funds were made available to the States to cover the administrative costs involved in the implementation and expansion of the programs.

In fiscal year 1972, the total dollars provided under this program were used in the following areas:

1. For cash grants to provide lunches to school children - \$28,182,000 were used to provide States an average Federal reimbursement of 6.4¢ on approximately 439 million lunches served under section 4 of the National School Lunch Act.
2. For cash grants to provide special assistance in the serving of lunches to needy children - \$265,200,652 were used in the financing of 673 million lunches. These funds were used to extend special assistance programs and to assist in providing free or reduced price lunches (section 11) under the National School Lunch Act.
3. For cash grants to provide breakfasts to needy children - Approximately 84.6 thousand needy school children received 13.8 million breakfasts at a cost of \$2,230,000. Special emphasis was made to reach needy children who arrived at school without breakfast, children who traveled long distances to school and children with working mothers.
4. For cash grants to provide food service equipment - A total of \$1,900,000 was used in 1972. This assistance enables the schools to expand or begin participation in the child nutrition programs.

5. For cash grants to provide State administrative expenses - The States used \$1,766,607 in fiscal year 1972 for assistance in administering child feeding programs.
6. For cash grants to provide food service programs for children in service institutions - This program reaches preschool and school-age children during the summer months in settlement houses, neighborhood houses and recreation centers. It also provides year round assistance to children in day care centers. \$11,225,000 were available to provide 32.9 million meals to 437 thousand children in the summer program.
7. For supplemental food packages in food stamp areas - Supplemental food packages were provided to 25,671 infants, 91,031 children up to 6 years of age and 28,090 expectant and new mothers from low-income households. As of June 30, 1972, \$9,577,192 in commodities had been distributed through the 124 administrative units participating in the program.
8. For pilot food certificate program - 12,990 mothers and children received \$1,070,295 in food certificates which may be used at retail outlets to purchase milk and baby cereals. The program is operating in Bibb County, Georgia; Cook County, Illinois; Brazos County, Texas; Newport-St. Johnsbury, Vermont; and Yakima County, Washington.

C. Surplus Removal Operating Expenses

1. Planning surplus removal programs and distributing commodities

The planning of surplus removal programs under Section 32 is carried out by the Agricultural Marketing Service. Distribution of commodities (Section 32 and 416-CCC) to eligible domestic outlets is done by the Food and Nutrition Service.

Commodities are shipped at the request of State agencies. The Federal Government pays all costs to central State receiving points. These costs may include processing and packaging, as well as transportation. The State agencies accept the commodities at their central receiving points and are responsible for distribution to the final users. State agencies establish, with USDA concurrence, standards for participation and approve eligible recipients. State agencies are usually responsible for overall supervision of the program to insure that the commodities are effectively used and that waste or resale is avoided.

a. Needy Family Program

In keeping with the President's commitment to end hunger and malnutrition in the United States, our 1972 primary objective was to ensure that a range and variety of donated foods sufficient for an minimally adequate diet was distributed to needy families who do not reside in Food Stamp areas. During the year, we continued to offer a highly palatable and nutritious food package consisting of 24 items. If accepted and used in the quantities recommended by the Department of Agriculture, these items would provide over 100 percent of the recommended dietary allowances for the seven basic nutrients and 80 percent of the food energy necessary for good nutrition. All donated foods are fortified or enriched unless their natural nutritive qualities are adequate.



As part of our overall effort to extend benefits to all eligible recipients, the Drive to Serve Program is being continued. It is designed to aid eligible senior recipients to pick up their monthly allotments of food despite problems of transportation, health, or age. Five pilot programs are now being operated in California, Delaware, Kentucky, Missouri, and Texas in conjunction with the American Red Cross. In addition, the United States Jaycees, the Future Farmers of America, the Future Homemakers of America, and the Young Women's Christian Association have expressed interests in expanding this program.

A vital component of the Direct Distribution to Needy Persons in Households Program was the offer to States of \$19.7 million to assist them in starting new programs and in expanding and improving existing ones. Approximately \$17 million was provided for 534 projects. In addition, approximately \$176 thousand was provided to 25 Federally financed or operated programs. Through intensified efforts, the States were encouraged to assume responsibility for operating these programs and by the end of the year only 8 projects were still directly operated or financially assisted.

Donated foods were distributed to approximately 3.4 million persons per month during the past year. Despite conversions to the Food Stamp Program, a relatively stable participation pattern was maintained through participation increases in the remaining projects. At the close of the year 3.0 million persons at 1,089 distribution points were receiving direct food assistance.

Over 1.2 billion pounds of food valued at \$314 million were provided to needy families during the year. The foods distributed in June 1972 and the number of administrative units receiving each are shown below:

Number of Administrative Units (Counties, Cities, Indiana Agencies and Outlying Area) Distributing Specific Foods:

1. Potatoes, Dehydrated .....	1,090	10. Cereal .....	1,067*
2. Meat and Poultry .....	1,088*	Oats Rolled ....	1,042
Meat, Luncheon ....	1,079	Corn Grits .....	517
Pork, W/NJ .....	1,020	Farina .....	296
Poultry, Boned ....	490	Wheat Rolled ...	296
Beef, W/NJ .....	122	Instant Rice ...	204
3. Juice, Canned .....	1,087*	11. Cheese .....	1,063
Apple .....	838	12. Macaroni .....	1,063
Grape .....	526	13. Peanut Butter .....	1,062
Tomato .....	335	14. Butter .....	1,061
Fruit Nectar .....	273	15. Shortening, Veg. ....	1,032
Orange .....	74	16. Corn Meal .....	1,017
4. Vegetables, Canned .....	1,087*	17. Syrup, Corn .....	990
Corn .....	816	18. Beans, Dry .....	943
Green Beans .....	586	19. Milk, Instant .....	777
Peas .....	559	20. Milk, Nonfat Dry .....	497
Tomatoes .....	461	21. Peas, Dry, Split .....	387
Potatoes, Sweet ...	73	22. Peaches, Canned .....	347
5. Flour .....	1,087	23. Lard/Shortening .....	170
6. Milk, Evaporated .....	1,081	24. Bulgur .....	166
7. Egg Mix .....	1,079	25. Raisins .....	155
8. Rice .....	1,075	26. Lentils .....	124
9. Prunes, Dried .....	1,072	27. Milk, Dry Whole .....	103
		28. Applesauce .....	89
		29. Infant Formula .....	58

\*Number of administrative units distributing one or more commodities within food group. Recipients can receive only one can per person from each food group.

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TABLE II - Cost in Millions of Dollars of Surplus Food  
Distribution for Domestic Use - Fiscal Years 1971 and 1972

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Welfare		Total	
	1971	1972	1971	1972	1971	1972	1971	1972
<b>Section 32:</b>								
Apples, Fresh .....	1.6	1.7	1/	.1		1/	1.6	1.8
Apple Juice .....	1/	1/	1/	1/	4.0	4.7	4.0	4.7
Apple Sauce .....	6.8	6.4	1/	1/	1.5	.1	8.3	6.5
Beans, Dry .....	2.8	2.1	.2	.1	7.5	7.8	10.5	10.0
Beef, Canned .....	1/	1/	1/	1/	.2	1/	.2	1/
Beef, Frozen Ground .....	1.2	1/					1.2	1/
Butter .....	42.1	5.8	7.1	.9	19.0	2.3	68.2	9.0
Cheese .....		.8		1/	6.2	1.6	6.2	2.4
Chicken, Canned-Boned .....	.2	1.8	1/	.1	24.8	5.0	25.0	6.9
Corn, Canned .....	.1	1/	1/	1/	.7	2.3	.8	2.3
Corn Syrup .....		1/		1/	6.2	4.6	6.2	4.6
Cranberries .....	.7	.9	1/	1/			.7	.9
Fruit Nectar, Canned .....		1/				1.2		1.2
Grape Juice .....		1/				1.4		1.4
Grapefruit Juice .....					1/		1/	
Grapefruit Sections .....	2.4	.1	1/	1/	1/	1/	2.4	.1
Green Beans, Canned .....		1/	1/	1/	2.1	1.9	2.1	1.9
Honey .....	.7	1/	1/	1/			.7	1/
Lard/Shortening .....	1/	1/	1/	1/	1/		1/	1/
Lentils .....	.1	1/	1/	1/	.2	.1	.3	.1
Meat, Canned Chopped .....	.2	.1	.4	.2	35.0	22.1	35.6	22.4
Meat, Canned Luncheon .....		1/		.3		14.8		15.1
Milk, Evaporated .....	1/	1/	.1	1/	16.9	16.5	17.0	16.5
Milk, Infant Formula .....					1/	.1	1/	.1
Milk, Nonfat Dry .....	.9	.8	.3	.3	.4	.4	1.6	1.5
Milk, Dry Whole .....						.4		.4
Orange Juice, Frozen .....	5.3	.6	.1	1/	.2	1/	5.6	.6
Orange Juice, Processed .....		1/	1/	1/	6.6	2.1	6.6	2.1
Peaches, Canned .....	1/	2.8	1/	1/	1/	.4	.1	3.2
Peanut Butter .....	5.6	.6	.3	.1	10.0	.9	15.9	1.6
Pears, Canned .....		4.3	1/	1/	1/		1/	4.3
Pears, Fresh .....	1/	4.2	1/	.1		1/	1/	4.3
Peas, Canned .....	1/	1/	1/	1/	.9	1.3	.9	1.3
Peas, Dried Split .....	.1	.6	1/	.5	.2	2.8	.3	3.9
Pea Soup Mix .....	1/	.1	1/	1/			1/	.1
Pork, Canned .....	.2	2.8	1/	.1	8.5	30.2	8.7	33.1
Pork, Frozen Ground .....	40.9	44.0	1/	1/		1/	40.9	44.0
Potatoes, Dehydrated .....	1/	2.2	1/	.1	6.9	6.3	6.9	8.6
Potatoes, Frozen French Fries .....		3.0		1/		1/		3.0
Poultry, Canned-Boned .....		10.1		1/		7.4		17.5
Prunes, Dried .....	3.1	.1	1/	1/	3.6	5.7	6.7	5.8
Raisins .....	.2	1.3	.1	1/	2.4	1/	2.7	1.3
Scramble Egg Mix .....	1/	1/			16.3	14.6	16.3	14.6
Sweet Potatoes .....	1/		1/		1.1	.1	1.1	.1
Tomatoes, Canned .....	1/	1/	1/	1/	1.8	1.0	1.8	1.0
Tomato Juice .....	1/	1/	1/	1/	2.1	4.2	2.2	4.2
Tomato, Paste .....	.3	1/	1/	1/	1/	1/	.3	1/
Turkeys, Canned Boned .....	.1	.1	1/	1/	17.5	3.1	17.6	3.2
Turkeys, Frozen .....	12.2	15.1					12.2	15.1
<b>Total, Section 32 .....</b>	<b>127.8</b>	<b>112.4</b>	<b>8.8</b>	<b>2.9</b>	<b>202.8</b>	<b>167.4</b>	<b>339.4</b>	<b>282.7</b>
<b>Section 416:</b>								
Beans, Dry .....		.2		1/		.6		.8
Bulgur .....	.1	.1	1/	1/	.2	.1	.3	.2
Butter .....	39.8	75.3	4.9	11.3	16.5	30.0	61.2	116.6
Butter Oil .....	.4	1/	.1				.5	1/
Cheese .....	5.8	14.6	1/	.1	25.0	30.7	30.8	45.4
Corn Flour .....	1/	1/	1/		1/	1/	1/	1/
Corn Meal .....	.9	.8	.2	.2	3.6	3.2	4.7	4.2
Farina .....	1/	1/	1/	1/	.5	.5	.5	.5
Flour .....	15.5	15.7	3.7	3.6	10.5	9.6	29.6	28.9
Grits, Corn .....	.1	.1	1/	.1	.8	.7	1.0	.9
Macaroni .....	1/	1/	1/	1/	4.5	4.2	4.5	4.2
Milk, Instant Fortified .....	.3	2.1	.1	1/	25.5	35.7	25.9	37.8
Milk, Nonfat Dry .....	8.9	9.0	3.0	3.2	12.3	4.1	24.2	16.3
Oats, Rolled .....	.4	.4	.3	.3	2.1	2.1	2.8	2.8
Peanut Butter .....		5.3		.9		8.7		14.9
Rice .....	3.8	3.4	.9	.9	7.8	7.2	12.5	11.5
Rice Cereal, Instant .....		1/			1/	1/	1/	1/
Salad Oil .....	3.9	4.5	.6	.8		1/	4.5	5.3
Shortening, Vegetable .....	6.9	7.0	1.7	1.7	8.5	8.4	17.1	17.1
Wheat Rolled .....	.3	.2	.1	.1	.6	.4	1.0	.7
<b>Total, Section 416 .....</b>	<b>87.1</b>	<b>138.7</b>	<b>15.7</b>	<b>23.2</b>	<b>118.4</b>	<b>146.2</b>	<b>221.2</b>	<b>308.1</b>
<b>Total, Section 32 and 416 .....</b>	<b>214.9</b>	<b>251.1</b>	<b>24.5</b>	<b>26.1</b>	<b>321.2</b>	<b>313.6</b>	<b>560.6</b>	<b>590.8</b>

1/ Less than \$50,000.

TABLE III - Quantity in Millions of Pounds of Surplus Food  
Distribution for Domestic Use - Fiscal Years 1971 and 1972

Program and Commodity	Domestic Distribution							
	Schools		Institutions		Welfare		Total	
	1971	1972	1971	1972	1971	1972	1971	1972
<b>Section 32:</b>								
Apples, Fresh .....	16.8	19.1	.2	.4		1/	17.0	19.5
Apple Juice .....	1/	.5	.2	1/	41.5	44.9	41.7	45.4
Apple Sauce .....	59.9	56.3	.3	.3	13.1	1.1	73.3	57.7
Beans, Dry .....	24.5	15.9	1.9	.8	65.7	59.4	92.1	76.1
Beef, Canned .....	1/	1/	1/	1/	.2	1/	.2	1/
Beef, Frozen Ground .....	2.0	1/					2.0	1/
Butter .....	54.6	7.8	9.3	1.2	24.6	3.1	88.5	12.1
Cheese .....		1.3		1/	10.2	2.6	10.2	3.9
Chicken, Canned-Boned .....	.2	2.9	1/	.1	35.8	8.0	36.0	11.0
Corn, Canned .....	.9	.2	.1	1/	5.5	17.5	6.5	17.7
Corn Syrup .....	1/	.2	1/	1/	46.4	39.2	46.4	39.4
Cranberries .....	3.8	4.7		1/			3.8	4.7
Fruit Nectar, Canned .....		1/				12.2		12.2
Grape Juice .....		1/				8.3		8.3
Grapefruit Juice .....					.3		.3	
Grapefruit Sections .....	12.3	.3	.1	1/	1/	1/	12.4	.3
Green Beans, Canned .....	1/	1/	.1	1/	16.1	13.0	16.2	13.0
Honey .....	3.1	.2	1/	1/		1/	3.1	.2
Lard/Shortening .....	.1	1/	.1	1/	1/		.2	1/
Lentils .....	.4	.2	.2	.2	1.3	.4	1.9	.8
Meat, Canned Chopped .....	.5	.1	.8	.4	74.8	41.4	76.1	41.9
Meat, Canned Luncheon .....		1/		.5		27.7		28.2
Milk, Evaporated .....	.1	.1	.3	.1	105.4	98.9	105.8	99.1
Milk, Infant Formula .....					.1	1	.1	.1
Milk, Nonfat Dry .....	3.0	2.4	.9	.8	1.1	1.1	5.0	4.3
Milk, Dry Whole .....						.6		.6
Orange Juice, Frozen .....	25.1	2.6	.5	.2	.8	1/	26.4	2.8
Orange Juice, Processed .....	1/	1/	.2	1/	64.4	20.9	64.6	20.9
Peaches, Canned .....	1/	17.6	1/	.1	.4	2.5	.4	20.2
Peanut Butter .....	17.4	1.7	1.0	.3	31.3	2.9	49.7	4.9
Pears, Canned .....	2	25.2	1/	.1	1/		.2	25.3
Pears, Fresh .....	1/	35.1	1/	.7		1/	1/	35.8
Peas, Canned .....	1/	.1	1/	1/	7.4	8.8	7.4	8.9
Peas, Dried Split .....	.7	.7	.3	.6	2.5	3.5	3.5	4.8
Pea Soup Mix .....		.2		1/				.2
Pork, Canned .....		4.1	1/	.1	12.8	44.2	13.1	48.4
Pork, Frozen Ground .....	75.0	79.5	1/	1/		1/	75.0	79.5
Potatoes, Dehydrated .....	.1	12.0	1/	.5	36.1	34.3	36.2	46.8
Potatoes, Froz. F. Fries .....		21.2		1/		1/		21.2
Poultry, Canned Boned .....		16.3		.1		11.8		28.2
Prunes, Dried .....	20.2	.4	.2	.2	17.1	23.9	37.5	24.5
Raisins .....	1.5	8.0	.5	.1	15.5	1/	17.5	8.1
Scramble Egg Mix .....	1/	1/			19.2	17.8	19.2	17.8
Sweet Potatoes .....	1/		1/		8.2	.6	8.2	.6
Tomatoes, Canned .....	1/	.1	1/	1/	11.0	5.6	11.0	5.7
Tomato Juice .....	1/	.1	.1	1/	22.7	42.5	22.8	42.6
Tomato Paste .....	2.0	1/	.1	1/	1/	1/	2.0	1/
Turkeys, Canned Boned .....	.1	.2	1/	1/	26.9	5.0	27.0	5.2
Turkeys, Frozen .....	35.2	45.5					35.2	45.5
<b>Total, Section 32</b> .....	<b>359.9</b>	<b>382.8</b>	<b>17.4</b>	<b>7.8</b>	<b>718.4</b>	<b>603.8</b>	<b>1,095.7</b>	<b>994.4</b>
<b>Section 416:</b>								
Beans, Dry .....		1.3		1/		4.8		6.1
Bulgur .....	1.2	1.1	.4	.3	2.5	1.8	4.1	3.2
Butter .....	54.9	101.1	6.8	15.1	22.8	40.3	84.5	156.5
Butter Oil .....	.4	1/	.1				.5	1/
Cheese .....	9.5	23.9	1/	.2	41.1	50.4	50.6	74.5
Corn Flour .....	.3	1/	1/		.8	.1	1.1	.1
Corn Meal .....	18.3	17.2	4.5	4.0	76.4	68.5	99.2	89.7
Farina .....	.1	.1	1/	1/	3.1	3.2	3.2	3.3
Flour .....	257.9	250.8	60.9	57.8	175.0	154.0	493.7	462.6
Grits, Corn .....	1.3	1.1	1.2	1.2	13.7	11.3	16.2	13.6
Macaroni .....	.1	1/	.1	1/	32.3	32.2	32.5	32.2
Milk, Instant Fortified .....	.6	4.7	.2	.1	57.8	78.0	58.6	82.8
Milk, Nonfat Dry .....	28.6	25.6	9.6	9.0	39.2	11.5	77.4	46.1
Oats, Rolled .....	6.5	7.3	4.4	4.6	33.2	33.6	44.1	45.5
Peanut Butter .....		16.1		2.9		26.8		45.8
Rice .....	35.7	31.5	8.5	8.3	72.1	66.8	116.3	106.6
Rice Cereal, Instant .....		1/			.1	.1	.1	.1
Salad Oil .....	19.2	21.8	2.9	3.7		1/	22.1	25.5
Shortening, Vegetable .....	33.6	34.9	8.0	8.7	41.4	41.8	83.0	85.4
Wheat Rolled .....	4.9	3.5	1.9	1.4	8.8	5.6	15.6	10.5
<b>Total, Section 416</b> .....	<b>473.0</b>	<b>542.0</b>	<b>109.5</b>	<b>117.3</b>	<b>620.3</b>	<b>630.8</b>	<b>1,202.8</b>	<b>1,290.1</b>
<b>Total, Section 32 &amp; 416</b> .....	<b>832.9</b>	<b>924.8</b>	<b>127.0</b>	<b>125.1</b>	<b>1,338.6</b>	<b>1,234.6</b>	<b>2,298.5</b>	<b>2,284.5</b>

1/ Less than 50,000 pounds.



- b. Schools - Over 25.6 million children received food worth \$251 million, a 17 percent increase over the 1970 distributed amount.
  - c. Institutions - Approximately 2.7 million people in eligible institutions received food worth \$25 million. Participation consisted of approximately 1.3 million in the year-round program and an additional 1.4 million in summer camps.
  - d. Supplemental food packages - In 1972 foods such as orange juice, evaporated milk, farina, meat, and dehydrated potatoes were distributed to participants. Packages were provided to 10,485 infants, 29,273 children, and 9,282 expectant and new mothers from low income households in food distribution areas. As of June 30, 1972, \$3.3 million worth of food had been distributed through 139 projects participating in the program.
  - e. Disaster feeding - Approximately 3.1 million pounds of donated food valued at \$995 thousand was consumed by 161 thousand persons affected in twenty-four disasters.
2. Plentiful Foods Program: This program encourages the consumption of plentiful foods by focusing consumer attention on abundant agricultural commodities. The program is directed toward the consumer through retail stores, wholesale outlets, and food service establishments, (the major segments of food trade sales operations) and other supporting groups (Government Agencies, Information Media, Trade Associations, etc.). The program enlists the cooperation of the industry in the promotion and merchandising campaigns.

The monthly Plentiful Foods publication is the way that most of the food trades are advised of the foods designated each month as plentiful. However, the effectiveness of the program depends upon the direct contact which field workers employ on a continuing basis to generate the cooperation of executives in the various food trades for the merchandising and use of plentiful foods. This use of normal trade channels better utilizes the nation's abundances.

The "Smart Shopper" is a monthly printing master set designed for reproduction and use by those persons at the national, regional, State and local level who are reaching the consumer through formal and informal classroom, meeting and personal contact situations. The Smart Shopper Food Guide reflects current smart buys (utilizing Plentiful Foods, where applicable) for the current month, as an aid in helping family food shoppers select a balanced and varied diet.

An item designated as a monthly plentiful food generally is in such supply that it is having or is expected to have marketing difficulties, is available in wholesale and retail channels and public feeding establishments throughout the country, and is a commonly used product, not considered a luxury food. Of the thirty-four items on the monthly Plentiful Foods lists in fiscal year 1972, twenty-one of the items were fruits and vegetables, four were meat or poultry items, and the remainder consisted of dairy, grain, peanut and fishery products.

TABLE IV - Plentiful Foods Activity

	1971		1972	
	Number	% of Total	Number	% of Total
1. Summary of Plentiful Foods Field Contact:1/:				
Contacts with Quantity Feeders .....	1,379	15%	3,137	24%
Contacts with Retailers .....	2,611	30%	3,508	26%
Contacts with Wholesalers/Brokers .....	1,484	17%	2,455	18%
Food Industry Contacts .....	5,474	62%	9,100	68%
Other Contacts (Trade Assns., Infor. Media Govt. Agencies, ETC) .....	3,346	38%	4,250	32%
Total Contacts .....	8,820	100%	13,350	100%
Personal .....	4,789	54%	7,087	53%
Telephone .....	4,031	46%	6,263	47%
New Contacts .....	N.A.	N.A.	2,368	17%
2. Summary of Commodities Designated as Plentiful:				
(Prime Support by Printed Bulletins and Listings)				
Number of Commodities Designated ....	41		34	
Number of Times Foods Have Appeared on Monthly Lists .....	120		94	
Greatest Frequency (Potatoes) .....	9			
(Eggs) .....			10	
Number of Monthly Lists Printed (thou)	100.0		110.0	
3. Summary of Special Promotions (Food Drives):				
National (In 4 or 5 Regions) .....	17		21	
Area, State and Local (In 3 or Less Regions) .....	5		2	
Number of Special Bulletins Issued .....	17		18	
(In Support of Special Promotions)				
4. Summary of Smart Shopper Printing User & Reproductions:				
Printing-Master Sets (thou) .....	78		216	
Reproductions at Users' Expense(million)	1.4		29	

1/ Prime Support for all Special Promotions (Food Drives).

Priority field contact work accomplished with headquarters officials in 970 National and first-line sub-headquarters of the largest 115 retailers, 55 food service operations with over \$50 million in food sales each and 89 wholesaling firms with over \$35 million in food sales each in 57 major marketing areas (117 SMSA's where 75% of \$ sales are reported to occur).



## Marketing Agreements and Orders

Section 32 funds authorized under 7 U.S.C. 1392b are used by the Department for supervising adopted marketing agreement and order programs and for public hearings and referenda to determine producer sentiment relative to new programs and revision of current programs.

1. Milk: Milk Marketing Orders establish orderly marketing conditions for the sale of milk by dairy farmers to handlers. This is done by fixing minimum prices which handlers pay to producers. Such minimum prices are set at levels that reflect supply and demand conditions in the markets and assure consumers an adequate supply of pure and wholesome milk.

There has been no significant geographic expansion during the past year of the marketing areas under regulation, yet volume of milk delivered to markets increased by more than 2 billion pounds. Almost 69 billion pounds of milk valued at over \$4.2 billion (minimum price basis) were delivered to the market in 62 Federal market areas in fiscal year 1972. This represented 62 percent of all milk marketed by U.S. dairy farmers.

Significant actions involving Federal Milk Orders during this year included the following:

- a. A hearing on a proposed uniform milk classification plan involving 33 orders was held in October, 1971. The preparation of a recommended decision involved extensive work. In addition to substantive changes in the classification of milk and milk products and related provisions, all of the 33 orders were completely revised into a new format.
  - b. Class I Base Plans were issued for the Puget Sound and Georgia orders.
  - c. The first Advertising and Promotion Program authorized under P.L. 91-670 was issued in February, 1972 for the Middle Atlantic market. Since then, similar programs have been adopted in the Chicago and Indiana markets, and in June a hearing was held concerning adoption of the program in 15 other markets.
2. Fruits and Vegetables: These orders are established to regulate the quality and quantity of products sold in commercial channels, thereby stabilizing marketing in the public interest. A total of forty-nine marketing agreement and order programs were in effect at the end of fiscal year 1972, covering fresh citrus and deciduous fruits, potatoes, vegetables, tree nuts, peanuts, dried fruits and hops. The value of commodities covered by these programs totaled \$2.3 billion at the farm level. (See table VI.)

Significant activity for the year included the following:

- a. Amendment proceedings were completed on programs for Washington potatoes, Florida limes, Florida avocados, California-Arizona lemons, California olives, the California tree fruit agreement, California dried prunes, California dates, Oregon-Washington filberts, and California almonds.
3. Tobacco: A marketing agreement and order for Georgia-Florida shade grown cigar leaf continued in effect during fiscal year 1972. The purpose of this order is to improve quality and income to producers by limiting the number of leaves which can be harvested per plant. The limitation for the 1971 crop was 18 leaves. Use of natural leaf for cigar wrapper is declining, as "manufactured or homogenized" wrapper gains an increasing percentage of the cigar output. The limitation on the number of leaves harvested prevents a surplus of inferior qualities, particularly in view of the declining outlet for natural leaf wrapper.

4. Grain: In fiscal year 1972 interest has been shown, by various grower associations, in developing marketing agreement and order programs related to grain and seed. The Highland Bentgrass Growers' Association submitted a proposed marketing agreement and order program covering the State of Oregon. The Oregon Ryegrass Growers' Association submitted a proposed marketing agreement and order program for their commodity, including annual and perennial ryegrass. Also, the Michigan Sodgrass Growers' Association submitted a proposed order on sodgrass covering the State of Michigan. These proposed programs are currently being reviewed by the Department.

#### Potato Research and Promotion

The Potato Research and Promotion Act (Title 3 of P.L. 91-670) was approved January 11, 1971. Public hearings were held on a proposed plan in Denver, San Francisco and Washington, D.C. A potato research and promotion plan was promulgated which provides for a national program of research, development, advertising and promotion designed to strengthen the demand for potatoes and potato products. The program is to be financed by an assessment of up to one cent per hundredweight of potatoes handled, excluding those potatoes grown by producers of less than five acres of potatoes. The assessment must be paid by the designated handler, but he may deduct it from the amount due the producer. A producer who does not wish to support the program may obtain a refund of the assessment he paid by filing a written application.

In a referendum held in February, 1972 the plan was approved by 70 percent of the production voted and 69 percent of the producers voting. Nominating meetings to select potato research and promotion board members were then held in all 48 contiguous States. On June 6-7, 1972, at Denver, Colorado, the board held its organizational meeting.

TABLE V - Activities under the Milk, Fruit, Vegetable and Tree Nut Agreement and Order Programs During Fiscal Year 1972 and Estimated for 1973

Activity	Fluid Milk Orders		Fruit, Vegetable and Tree Nut Orders	
	1972	1973	1972	1973
	:	:	:	:
Agreement and order programs in effect .....	62	62	49	53
Requests received for new programs .....	1	1	0	5
<u>Hearings and Petitions:</u>				
Hearings held to consider amendments to existing orders or the issuance of orders in new areas .....	22	20	7	11
Amendments issued .....	82 <sup>1/</sup>	100	11	5
Suspensions issued .....	22	20	1 <sup>2/</sup>	0
Petitions received for review of order ...	20	20	2	2
Petitions disposed of during the year .....	18	20	2	1
Administrator's Decisions issued .....	11	--	7	13
Secretary's Decisions issued .....	14	15	10	11
Secretary's Referendum Orders issued .....	6	6	11	9
<u>Order Operation and Enforcement:</u>				
Regulatory orders issued .....	--	--	308	322
Investigation of alleged violations .....	70	70	60	67
Cases referred to the Department of Justice for prosecution .....	25	25	20	22
Court cases resolved .....	35	28	7	16
<u>Order Management</u>				
Appointment of administrative committees ..	--	--	59	65
Promulgation of committee rule making .....	--	--	35	29
Budgets approved .....	62	62	50	54

<sup>1/</sup> 15 docket actions

<sup>2/</sup> Certain provisions suspended.

TABLE - VI  
Marketing Agreement and Order Programs in Effect  
for Fluid Milk During Fiscal Year 1972

Orders	: Number : of : Handlers*	: Number : of : Producers	: Milk Sold : by Producers : (1,000 lbs.)	: Population : of Marketing : Area
NEW ENGLAND	:	:	:	:
Boston Regional .....	86	: 7,367	: 3,579,710	: 7,076,258
Connecticut .....	32	: 1,990	: 1,387,731	: 3,032,217
MIDDLE ATLANTIC	:	:	:	:
New York-New Jersey .....	135	: 24,609	: 10,349,699	: 20,538,648
Middle Atlantic .....	68	: 8,047	: 4,475,798	: 10,650,865
SOUTH ATLANTIC	:	:	:	:
Appalachian .....	8	: 835	: 430,237	: 535,752
Tampa Bay .....	14	: 123	: 455,297	: 1,779,049
Southeastern Florida .....	15	: 89	: 691,987	: 2,430,855
Upper Florida .....	14	: 188	: 566,506	: 2,233,107
Georgia .....	35	: 1,361	: 1,262,893	: 4,390,384
EAST NORTH CENTRAL	:	:	:	:
Eastern Group	:	:	:	:
Upstate Michigan .....	3	: 20	: 9,238	: 196,377
Southern Michigan .....	53	: 8,298	: 3,956,509	: 7,765,095
Eastern Ohio-Western Pa. ....	128	: 9,122	: 3,389,347	: 8,498,407
Ohio Valley .....	75	: 8,077	: 3,112,634	: 7,293,631
Western Group	:	:	:	:
Michigan Upper Peninsula. ....	14	: 324	: 105,442	: 332,747
Chicago Regional .....	157	: 17,126	: 8,214,302	: 11,361,645
Louisville-Lex.-Evans. ....	21	: 2,913	: 1,174,916	: 2,409,467
Indiana .....	41	: 4,417	: 1,918,946	: 4,325,553
Southern Illinois .....	16	: 2,256	: 968,027	: 1,965,740
Central Illinois .....	16	: 806	: 340,612	: 923,623
WEST NORTH CENTRAL	:	:	:	:
Northern Group	:	:	:	:
Duluth-Superior .....	3	: 604	: 186,597	: 201,733
Minneapolis-St. Paul .....	27	: 4,962	: 2,212,526	: 2,250,018
Eastern South Dakota .....	9	: 499	: 256,201	: 400,545
Black Hills .....	2	: 77	: 52,640	: 104,824
North Central Iowa .....	6	: 750	: 274,441	: 530,057
Cedar Rapids-Iowa City .....	4	: 291	: 85,492	: 157,492
Quad Cities-Dubuque .....	12	: 832	: 339,708	: 587,718
Des Moines .....	13	: 1,412	: 574,478	: 683,216
Nebraska-Western Iowa .....	23	: 1,790	: 972,592	: 1,848,106
Minnesota-North Dakota .....	11	: 1,920	: 785,585	: 636,547
S.E. Minn.-N. Iowa .....	12	: 944	: 464,384	: 690,344
Southern Group	:	:	:	:
St. Louis-Ozarks .....	22	: 3,274	: 1,647,775	: 2,693,320
Kansas City .....	28	: 2,223	: 1,188,243	: 2,198,124
Neosho Valley .....	5	: 143	: 67,512	: 332,481
Wichita .....	11	: 447	: 206,972	: 840,923



Orders	: Number : of : Handlers *	: Number : of : Producers	: Milk Sold : by Producers : (1,000 lbs.)	: Population : of Marketing : Area
EAST SOUTH CENTRAL	:	:	:	:
Paducah .....	5	296	134,005	347,564
Nashville .....	12	1,027	509,114	1,322,884
Memphis .....	9	634	335,603	1,060,208
Knoxville .....	8	453	204,194	678,823
Chattanooga .....	7	775	445,907	615,721
Mississippi .....	23	1,083	523,487	1,722,399
WEST SOUTH CENTRAL	:	:	:	:
<u>Northern Group</u>	:	:	:	:
Central Arkansas .....	8	599	266,148	884,371
Fort Smith .....	2	172	47,298	71,175
Oklahoma Metropolitan .....	12	1,988	914,594	1,267,085
Red River Valley .....	6	466	236,812	569,006
Texas Panhandle .....	3	232	91,689	328,286
Lubbock-Plainview .....	4	191	68,226	352,504
<u>Southern Group</u>	:	:	:	:
Northern Louisiana .....	9	255	235,661	582,937
New Orleans .....	18	1,225	600,534	1,182,650
North Texas .....	21	1,796	1,241,357	3,231,639
Central West Texas .....	6	312	249,529	460,308
Austin Waco .....	3	206	144,728	802,047
San Antonio .....	9	659	348,732	830,460
Corpus Christi .....	10	262	174,691	699,357
South Texas .....	22	2,320	1,111,072	2,943,136
MOUNTAIN	:	:	:	:
Eastern Colorado .....	24	1,275	764,139	1,930,356
Great Basin .....	17	844	534,923	1,018,753
Western Colorado .....	4	59	37,081	102,847
Central Arizona .....	9	167	628,852	1,532,059
Rio Grande Valley .....	17	320	351,661	1,386,148
PACIFIC	:	:	:	:
Puget Sound .....	16	1,703	1,486,206	2,176,948
Inland Empire .....	10	436	289,916	451,599
Oregon-Washington .....	52	1,240	1,167,113	2,487,472
TOTAL .....	1,465	139,131	68,848,249	142,933,610

% Milk Marketed under A&O .....	62
Total markets .....	62
Value of producer deliveries (mil. dollars) .....	\$4,244
Increase in dairy income from orders (mil. dollars) .....	\$ 424

\* June 1972.



TABLE VII - Fruit, Vegetable and Tree Nut Marketing Agreement and Order  
Programs in Effect during Fiscal Year 1972

Commodity and Area	Estimated Number of Commercial Producers	Estimated Farm Values (\$1,000)
CITRUS FRUITS:		
Calif. - Ariz. Navel oranges	4,800	74,784
Calif. - Ariz. Valencia oranges	4,500	60,762
Calif. - Ariz. Desert grapefruit	600	11,704
Calif. - Ariz. lemons	2,350	81,483
Florida oranges	(	451,825
Florida grapefruit (all)	(15,700	139,380
Florida tangelos	(	10,678
Florida tangerines	(	17,850
Florida limes	500	4,760
Texas oranges	(	12,626
Texas grapefruit	( 2,820	22,748
NONCITRUS FRUITS:		
California Bartlett pears	3,450	28,655
California nectarines	1,250	10,695
California Freestone peaches	2,500	22,220
California plums	2,270	23,129
California Tokay grapes	1,200	12,126
California olives	1,500	8,436
Colorado peaches	800	2,121
Florida avocados	600	5,510
Georgia peaches	350	10,440
Idaho-Oregon prunes	250	1,843
Utah peaches	1,000	845
Washington apricots	1,000	482
Washington sweet cherries	1,000	11,526
Washington peaches	1,500	2,993
Washington-Oregon-Calif. winter pears	1,800	13,687
Washington-Oregon Bartlett pears	2,000	15,346
Washington-Oregon prunes	1,000	2,294
Cranberries	1,300	25,564
Red Tart Cherries	2,300	25,348
Hawaiian Papayas	165	2,670
POTATOES		
Idaho-Eastern Oregon	2,800	126,000
S. E. States (Va.-N.C.)	330	14,400
Washington	450	43,700
Colorado	810	16,500
Maine	1,750	64,000
New England (except Maine)	200	10,100
Oregon-Northern (California	850	21,000
VEGETABLES		
South Texas Onions	265	14,100
Idaho-E. Oregon Onions	295	14,621
South Texas Tomatoes	100	2,800
Florida Tomatoes	200	90,000
Texas Lettuce	65	6,860
Florida Celery	51	31,400
NUTS		
California almonds	7,000	88,440
Oregon-Washington, filberts	1,700	5,318
California-Oregon-Washington walnuts	8,450	54,981
Peanuts <u>1/</u>	82,495	406,878

Commodity and Area	Estimated Number: of Commercial Producers	Estimated Farm Values (\$1,000)
DRIED FRUIT	:	:
California dates	160	3,024
California raisins	4,500	34,584
California dried prunes	2,600	58,446
OTHERS	:	:
Washington, Oregon, Idaho Hops	222	32,728
Total .....	xxxxxxxx	2,254,410

1/ Marketing agreement only; covers States of Alabama, Florida, Georgia, Mississippi, South Carolina, Arizona, Arkansas, California, Louisiana, New Mexico, Oklahoma, Texas, Missouri, North Carolina, Tennessee, and Virginia.

Total number of programs .....	49
Million tons regulated under F&V, A&O .....	25.2
Value of marketings .....	\$2,215,863,000



## COMMODITY EXCHANGE AUTHORITY

### Purpose Statement

The Commodity Exchange Authority administers the Commodity Exchange Act of September 21, 1922, as amended.

The major objectives of the Act are to prevent commodity price manipulation and market corners; curb unwarranted changes in price resulting from excessive speculation by large traders; prevent dissemination of false and misleading crop and market information affecting commodity prices; protect hedgers and other users of the commodity futures markets against cheating, fraud, and other abusive practices; insure the benefits of membership privileges on contract markets to cooperative associations of producers; protect margin moneys and equities of hedgers and other traders and prevent the misuse of such funds by requiring trust fund treatment of such moneys and establishing minimum financial and fitness standards for firms; and provide information to the public regarding trading operations and contract markets.

The basic Act, originally designated as the Grain Futures Act, conferred limited authority with respect to futures trading in grains only. By amendment of June 15, 1936, its short-title designation was changed to "Commodity Exchange Act," and its regulatory provisions strengthened and extended to cotton, millfeeds, butter, eggs, potatoes, and rice. By amendment of April 7, 1938, wool tops were added to the commodities subject to the Act; fats and oils, cottonseed, cottonseed meal, peanuts, soybeans, and soybean meal were added by the Act of October 9, 1940; wool was added by enactment of Public Law 690 of August 28, 1954; and onions were added by enactment of Public Law 174 of July 26, 1955. Public Law 85-839, approved August 28, 1958, prohibited futures trading in onions effective September 27, 1958. Public Law 90-258, which became effective on June 18, 1968, added livestock and livestock products to the commodities subject to the Act; it also established minimum financial requirements for brokerage firms and strengthened and extended other provisions of the Act. Public Law 90-418, which became effective on July 23, 1968, extended the Commodity Exchange Act to frozen concentrated orange juice.

These functions carried out under the Act are performed through a Washington Office and three regional offices, located in Chicago, Kansas City, and New York City. A suboffice of the Kansas City office is located in Minneapolis.

Available Funds and Man-Years  
1972 and Estimated, 1973 and 1974

Item	: Actual	: Estimated	: Budget Estimate
	: 1972	: Available, 1973	: 1974
	: Man- : : Amount :Years:	: Man- : : Amount :Years:	: Man- : : Amount :Years:
Commodity Exchange Authority.	:\$2,825,983 : 169	:\$2,906,000: 169	:\$2,906,000:169



COMMODITY EXCHANGE AUTHORITY

Appropriation Act, 1973.....	\$2,906,000
Budget Estimate, 1974.....	2,906,000

PROJECT STATEMENT

(On basis of adjusted appropriation)

Project	1972	1973 (estimated)	1974 (estimated)
1. Administration of the Commodity	:	:	:
Exchange Act.....	\$2,712,650	\$2,906,000	\$2,906,000
Unobligated balance.....	113,333	- -	- -
Total available or estimate.....	2,825,983	2,906,000	2,906,000
Transfer to GSA.....	+17,017	- -	:
Total, appropriation.....	2,843,000	2,906,000a/:	:

a/ Of this amount, \$12,000 has been withheld from use in 1973, principally from funds budgeted for travel.



## COMMODITY EXCHANGE AUTHORITY

### STATUS OF PROGRAM

The basic function of the Commodity Exchange Authority is to preserve the pricing and hedging services of the commodity futures markets. These services are widely used by farmers, merchandisers and processors, and affect prices paid by consumers. The Agency works to insure open, fair, and competitive trading in futures contracts on commodity exchanges, to prevent price manipulation, and to protect persons trading in futures markets from cheating, fraud, and other abusive acts and practices.

Agency Functions: The Commodity Exchange Authority's regulatory activities may be grouped into functional work programs as follows:

1. Daily Market Surveillance Program. This includes the operation of a reporting system on trading operations to provide information on market compositions and activity essential to effective regulation, surveillance and analysis of day-to-day market operations, and the enforcement of compliance with reporting requirements and speculative limits.
2. Economic Analysis Program. Includes market-wide position surveys and regulatory analyses and studies to provide comprehensive data on trading in selected commodities for regulatory purposes and for the information of the public. Also included are studies for the purpose of establishing and reviewing limits on speculative positions and volume of speculative trading authorized for large traders.
3. Public Information Program. Includes preparation and publication of recurring statistics, reports, and regulatory analyses and studies on trading operations and developments in futures markets.
4. Contract Market Program. Includes contract market designation, continuing review of exchange rules, surveillance of exchanges', enforcement of their own rules, and the audit of exchange clearing operations.
5. Compliance Program. Includes the conducting of investigations and prosecutions to uncover and deter acts and practices which are in violation of the Commodity Exchange Act or regulations.
6. Registration Program. Involves the determination of the fitness for registration and the registration of futures commission merchants and floor brokers.
7. Segregated Funds Program. Involves the regular audit of the books and records of futures commission merchants in order to determine that customers' margins and equities are being properly protected.
8. Financial Requirements Program. Activities under this program include general audits of the financial condition of futures commission merchants and the analysis of financial statements of futures commission merchants to determine whether they meet minimum financial requirements.

#### Current Market Activities:

Futures trading in the 20 agricultural commodities regulated under the Commodity Exchange Act continued its upward trend in fiscal year 1972. Volume of trading reached a new record of 12.6 million contracts, up 6 percent from the previous record of 11.8 million contracts in fiscal year 1971. Value of futures trading

estimated at \$148 billion, was 29 percent greater than the \$114 billion a year earlier. Soybeans, the most active commodity, reached an alltime record in trading volume. The 3,961 million contracts covered 19.8 billion bushels of soybeans, up 47 percent from 13.4 billion bushels in the previous year. Frozen pork bellies, one of the consistently high-volume commodities in recent years, ranked second in market activity. Trading of 2,043,384 contracts represented a 34 percent increase over fiscal 1971. Trading in live hogs, following the pattern for pork bellies, rose substantially and reached a new trading record of 366,450 contracts. Activity in the live cattle markets also reached a record level and the cotton futures market was the largest in 17 years. Fiscal year 1972 was a record year both in volume and value of futures trading.

Major Program Activities:

1. Daily Market Surveillance Program. A record 12.6 million futures contracts were subject to daily market surveillance by CEA in fiscal 1972. Market surveillance consists largely of analyzing data from daily and weekly reports filed by exchange clearing members, futures commission merchants, large traders, and grain warehousemen. A comparison of reports received and processed in the CEA regions during fiscal years 1971 and 1972 is shown below.

	<u>FY 1972</u> <u>Number</u>	<u>FY 1971</u> <u>Number</u>
Reports by type of respondent:		
Exchange clearing members	203,333	207,728
Futures commission merchants	141,757	138,417
Large traders	250,383	323,668
Grain warehousemen	<u>5,541</u>	<u>6,170</u>
Total	601,014	675,983
Reports processed in CEA regions:		
Eastern	96,023	99,725
Central	483,655	554,965
Western	<u>21,336</u>	<u>21,293</u>
Total	601,014	675,983
Delivery notices processed	113,438	75,986

Surveillance of day-to-day market operations is designed to forestall congestion in the futures markets by spotting developing adverse situations and initiating preventive measures before a market becomes fully disrupted. In fiscal 1972 the Agency maintained surveillance over 32 separate commodity markets, and identified, traced, and analyzed more than a dozen questionable situations pointing to potentially tight markets, particularly during the liquidation period of a contract. Regional directors worked with exchange officials and in some cases with the traders themselves to prevent adverse situations that could interfere with the orderly functioning of the markets. The following are examples of such situations:

Chicago Board of Trade, 1971 December wheat. As the future approached its delivery month, it appeared that certain longs in the market had created a situation whereby the price of December wheat would respond to their own actions. On December 15, the premium of the December future over the March future was 17 cents a bushel. The Regional Director held repeated conferences with officials of the Chicago Board of Trade and its Business Conduct Committee, and also warned the traders involved about price manipulation. The exchange took the unusual steps of setting an upper limit of 181 7/8 cents a bushel and limiting trading to liquidation during the last three trading days of the future, and requiring complete liquidation before the end of the last trading day. The exchange action precluded a dramatic price rise that might have resulted from this tight market situation.



Chicago Mercantile Exchange, 1972 February frozen pork bellies. The price of the 1972 February frozen pork belly future rose sharply as the future approached the last trading day. A large portion of the long open interest, 820 contracts out of a total of 1,237 on February 18, was for house and customer accounts of one brokerage firm. CEA's concern for orderly liquidation was discussed with officials of the Chicago Mercantile Exchange, with officers of the firm, and with holders of some of the larger long positions on the firm's books. The CME Board of Governors assessed fines of \$15,000 each against the firm and one of its officers because they failed to adequately supervise house and customer accounts in connection with the liquidation of this future.

Chicago Board of Trade, 1972 March wheat. As early as January 1972, the smallness of the deliverable supply of wheat in Chicago became a matter of concern. As the 1972 March future approached maturity, both its long open interest and the ownership of the small deliverable supply tended to concentrate in a few hands. The Regional Director held several conferences with Chicago Board of Trade officials about the problem, and also warned the holder of the leading long position about the possibility of price manipulation. The Chicago Board of Trade helped relieve the deliverable-supply problem by admitting another Chicago grain elevator to regular-for-delivery status. This added three-quarters of a million bushels of wheat to the deliverable supply while the 1972 March wheat future was still being liquidated.

Kansas City Board of Trade, 1972 May wheat. From early April through maturity of the 1972 May wheat future, a large grain firm held a growing proportion of the total open positions in that future. During that period, the price of the May future increased its premium over the July future, and the cash price was well above the July futures price. On April 28 the Regional Director discussed the potential problem of orderly liquidation with officials of the Kansas City Board of Trade. This discussion resulted in a margin increase by the Kansas City Clearing House from 8 to 13 cents a bushel. The 625,000 bushels of May wheat futures remaining open after trading expired were closed out through delivery procedures. At the close of the future, May wheat was 1/4 cent below the previous day's price.

2. Economic Analysis Program. At the conclusion of the fiscal year, a number of analyses and technical studies designed to increase the Agency's knowledge of commodity futures trading and improve its regulation of futures trading were being conducted under contractual or cooperative agreements between CEA, the Economic Research Service, and universities. They included:

a. Econometric analyses of futures prices for shell eggs and pork bellies, Texas Tech University. The analytical work has been completed, and technical bulletins, to be published by CEA, are being written.

b. Analysis of egg futures trading and deliveries, University of Missouri. The preliminary report has been submitted and reviewed, and is being prepared in final draft.

c. Effect of futures trading on structure of cattle industry, Michigan State University. Completion is scheduled for fiscal 1973.

d. Analysis of fresh egg contract terms and specifications, Michigan State University. This project has been completed and a report is scheduled to be published by Michigan State University.

e. Price analysis of the onion market, University of Wisconsin. This project has been completed, and publication will be handled by USDA.

f. Analysis of risk in hedging cattle on the Chicago Mercantile Exchange, Colorado State University. This study has been completed and a report has been published.

g. Analysis of the pork belly market, Iowa State University. This project is scheduled for completion early in fiscal 1973.

h. Technical study on evaluation of CEA public reporting system and exploration of alternative systems, University of Hawaii. Work is progressing on this study scheduled for completion in fiscal 1974.

Economic Analysis of Possible Price Manipulation. Economists in the Central Region developed economic evidence in connection with four cases of alleged price manipulation during the year. Three of these cases were completed in fiscal 1972.

1970 September shell eggs. An economic investigation report completed in fiscal 1972 resulted in the issuance of a complaint after the close of the fiscal year charging nine firms and individuals with attempted manipulation and manipulation of the price of the 1970 September egg future on the Chicago Mercantile Exchange on September 21, 1970.

1971 May wheat. Economic analyses led to the issuance of a complaint on June 30, 1972, charging two respondents with attempted manipulation and manipulation of the price of the 1971 May wheat future on the Chicago Board of Trade on May 19, 1971.

1971 May Idaho potatoes. An investigation completed in fiscal 1972 resulted in the issuance of a complaint after the close of the fiscal year charging fifteen companies and individuals with attempted upward manipulation and one company and one individual with attempted manipulation to hold down the price of 1971 May Idaho potato future on the Chicago Mercantile Exchange.

An economic investigation of a case involving the 1971 July future for frozen pork bellies on the Chicago Mercantile Exchange was initiated and completed during fiscal 1972. As this future matured, certain large traders holding substantial long positions in this future were believed to be also holding over half of the certificated pork belly stocks. Recognizing this as a possible setting for a squeeze in the July future, the Chicago Mercantile Exchange took steps to stop such a situation from developing. The exchange raised its margin requirements, ordered a 50 percent reduction of all speculative accounts on July 22, and limited trading to liquidation on July 23, the last trading day for that future. CEA received a number of complaints protesting this exchange action, and began an investigation into the matter. The findings did not reveal evidence of price manipulation in the 1971 July pork belly future. Further, it was found that the Chicago Mercantile Exchange responded in good faith and in a reasonable manner to its responsibility under the CEAct to prevent price manipulation.

Speculative limits on trading and position in frozen concentrated orange juice. An economic study of the futures market operations in frozen concentrated orange juice in New York was conducted to determine the need for speculative trading and position limits for that commodity. The study showed that futures prices have fluctuated widely, with many daily limit increases and declines, and with extremely wide ranges between highest and lowest prices during the life of a contract. Examination of the relationship between trading volume and price fluctuations showed that as the daily volume of trading increased, daily high-low price ranges also increased. The study, recommending the imposition of speculative trading and position limits, was awaiting review at yearend.

Chicago Board of Trade--Minimum Rates of Commission Study. On July 24, 1972, the Commodity Exchange Authority complied with a request from the Federal District Court for the Northern District of Illinois and submitted a report on some issues in connection with the minimum rates of commission charged by the Chicago Board of Trade on commodity futures transactions. The District Court's request grew out of a civil antitrust suit filed on December 1, 1971, by the U.S. Department of Justice charging the Chicago Board of Trade and its approximately 1,400 members with violating Section 1 of the Sherman Act by jointly engaging in practices "to fix and maintain minimum rates of commission, floor brokerage and other fees for the trading of commodity futures on the Board of Trade."



### 3. Public Information Program.

A major function of the Commodity Exchange Authority is the provision of information regarding trading operations and contract markets to the public. The following recurring statistical reports were prepared and provided to the public during fiscal 1972: (a) Daily releases on volume of trading and open contracts for commodities traded; (b) Weekly releases on stocks of grain in deliverable position; (c) Weekly releases of "On Call" positions in spot cotton based on New York cotton futures; (d) Monthly reports of commitments of traders on principal markets; (e) Monthly commodity futures statistics, containing basic futures trading data on all regulated commodities; (f) Annual Summary of Commodity Futures Statistics, 1970-71.

Names of (large) traders...in wheat, corn, and grain sorghums. The Agency prepared and made public a list of 366 names and addresses (city and State) of all traders holding futures contracts of 200,000 bushels or more, either long or short positions, in wheat, corn, and grain sorghums on any contract market during the period November 23 - December 13, 1971. The list, submitted on December 17, 1971, by the Secretary of Agriculture to the Committee on Agriculture, House of Representatives, was in response to a request from that Committee.

### 4. Contract Market Program.

Contract Market Designations. The New York Mercantile Exchange was designated as a contract market for imported, frozen, fresh boneless beef on August 11, 1971. Pending at yearend, was the application of the new Pacific Commodities Exchange, Inc., San Francisco, California, for designation as a contract market for trading in coconut oil. The designation of the Duluth Board of Trade, was vacated at its own request on January 10, 1972. There has been no recent futures trading on this exchange, which had been designated for almost 50 years.

Contract Market Rule Enforcement Under Section 5a(8) of the CEAct. The Agency has established formal procedures for analyzing exchange members' adherence to exchange rules. These procedures include the analysis of the members' margins, commission and trading policies. During fiscal 1972 there were 35 referrals to exchanges on apparent rule violations. They included 28 referrals on margin rule violations, 4 referrals on commission rule violation, and one referral each on discretionary account violation, violation of exchange's financial requirements and failing to register an agent with the exchange.

Exchange Enforcement of Minimum Financial Requirements. During fiscal year 1972 the Registration and Audit Branch of the Central Region placed major emphasis on an audit program which is designed to promote exchange enforcement of minimum financial requirements. This program includes the following: (a) Review of financial statements received from futures commission merchants who are members of the Chicago Board of Trade and the Chicago Mercantile Exchange; (b) Verbal or written referrals to these exchanges on questionable matters generated by these reviews; (c) Examination of exchanges' calculations of members' capital adequacy and other audit data; (d) Analysis of subordinated loan agreements; (e) Audit of each exchange's (CBT and CME) financial requirement enforcement program; (f) Examination of each exchange's follow-up or remedial actions; (g) Periodic meetings with exchange personnel on disclosures of our reviews, audits, etc. (average of one each week).

The Central Region conducted 581 general reviews and 76 detailed reviews of financial statements received from members of the Chicago Board of Trade and the Chicago Mercantile Exchange. It made 89 referrals to the exchanges, 68 verbal and 21 written, as the result of these reviews.

Audits of Exchange Clearinghouses. All seven active exchange clearinghouses were audited during fiscal 1972. No outstanding problems were found with any clearing organization other than the Chicago Board of Trade, where a question arose about whether these organizations are depositories of customers' funds. This matter is presently under discussion between the Agency and the Exchange.

## 5. Compliance Program.

The Agency's compliance efforts in fiscal 1972 were highlighted by the handling of a large number of compliance matters while acting on a record number of complicated and time-consuming price manipulation investigations. Major problem areas during the year were possible price manipulation, danger to customers' funds and a record level of customer complaints.

Ten investigations involving possible price manipulation were closed during the fiscal year, resulting in one criminal action, one administrative complaint and two recommendations for the preparation of such complaints. The criminal case involved trading in egg futures and the administrative complaint, trading in wheat futures. One of the two pending cases involved trading in potato futures and the other, egg futures. Complaints were issued in both cases after the close of the fiscal year. The successful completion of these investigations was made possible by a team approach using investigators and economists, which was first adopted in fiscal 1971.

Audits and audit-investigations conducted as part of the Agency's regular surveillance of the handling of customers' funds by futures commission merchants and the financial condition of futures commission merchants subject to CEA minimum financial requirements resulted in 13 formal actions--10 complaints, two recommendations to the Department of Justice for prosecutive consideration and one stipulation of compliance.

Customer complaints received in fiscal 1972 totaled a record 255. Unauthorized trading, a form of cheating, was the matter most frequently complained of, representing about 30 percent of the total. Investigation of possible cheating in two instances resulted in administrative complaints. One was referred to the Department of Justice with a recommendation for criminal prosecution. Approximately one-third of the customer complaints were handled by a work-saving customer complaint handling procedure developed in the last quarter of fiscal 1971.

Three-hundred and sixty matters, including both customer complaints and other investigation leads, were disposed of during fiscal 1972, 106 by investigation, 82 by an improved procedure for complaint handling, and 172 by other means.

### Investigations

<u>Fiscal 1971</u>		<u>Fiscal 1972</u>	
<u>Closed</u>	<u>Pending</u>	<u>Closed</u>	<u>Pending</u>
79	52	106	36

The record 106 compliance investigations closed included 10 involving possible price manipulation, 15 trade practice type investigations and 81 general investigations. Thirty-two of the 106 investigations revealed evidence of violation of the Act or regulations. As a result, 17 administrative proceedings and two criminal proceedings were initiated during the year and three stipulations of compliance were obtained. In addition, at yearend, five requests for the preparation of complaints were pending in the Office of the General Counsel of the Department of Agriculture and six matters were in the hands of the Department of Justice for prosecutive consideration. The major violations involved in these 32 investigations were as follows: Price manipulation, 4; cheating, fraud and deceit, 2; failure to properly handle and account for customers' funds, 9; failing to meet minimum financial requirements, 5; speculative limit violations, 4; floor trade practices, 4; and miscellaneous, 4.



The Agency's increased workload with respect to administrative and criminal proceedings is reflected in the following:

<u>Proceedings</u>					
<u>Fiscal 1971</u>			<u>Fiscal 1972</u>		
<u>Initiated</u>	<u>Completed</u>	<u>Pending</u>	<u>Initiated</u>	<u>Completed</u>	<u>Pending</u>
<u>Administrative</u>					
2	8	5	17	10	12
<u>Criminal</u>					
1	1	1	2	0	3

Administrative Proceedings. In CEA Docket No. 120 (Cargill, Incorporated, et al.), an important manipulation case, the United States Court of Appeals for the Eighth Circuit rejected Cargill's appeal from the order of the Judicial Officer and rendered an opinion fully supporting CEA's position. On May 13, 1972, the United States Supreme Court denied Cargill's petition for a writ of certiorari.

In the other important manipulation case which had been pending at the end of fiscal 1971, CEA Docket No. 161 (David G. Henner) the Judicial Officer issued his order, closely following his tentative decision and order, which also fully supports CEA's position.

In CEA Docket No. 165 (Sy B. Gaiber & Co., et al.), the Judicial Officer rejected 60-day sanctions proposed by the Hearing Examiner, imposing, instead, the two-year sanctions recommended by CEA. In so doing, he stressed the need to consider sanctions for their deterrent to future violations by the respondents and by other persons subject to the Act.

Criminal Proceedings. Two criminal proceedings under the Act were instituted during fiscal 1972. Both involved matters in which CEA did not feel that administrative proceedings would result in adequate sanctions.

One proceeding involved a 49-count indictment in the Southern District of New York charging John P. Bauer and Bauer International Corporation with delivering in interstate commerce false reports concerning market information in an attempt to manipulate shell egg futures prices on the Chicago Mercantile Exchange and with reporting violations. Mr. Bauer pleaded guilty to one felony count on May 11, 1972, and at yearend was awaiting sentencing. This case involved a large man-hour expenditure both in conducting the investigation and in assisting the U. S. Attorney's office in preparing for grand jury action.

The other criminal proceeding, an information issued by the U. S. Attorney for the Northern District of Illinois, Eastern Division charged Roy D. Simmons with violating the speculative trading limit in egg futures and with failing to submit accurate reports to CEA. At yearend Mr. Simmons had not yet pleaded to the information. Criminal action had been sought in this matter because two administrative actions (CEA Docket Nos. 108 and 149) charging Mr. Simmons with violating the speculative limits did not deter him from again violating such limits.

#### 6. Registration Program.

During fiscal year 1972 a total of 274 futures commission merchants were registered under the Commodity Exchange Act. In addition, 2,297 branch offices and 406 agents were registered to act in behalf of futures commission merchants. As of the end of the fiscal year there were 224 futures commission merchants and 1,198 floor brokers registered. Total registration fees collected amounted to \$40,725 of which \$21,735 was received from futures commission merchants and \$18,990 from floor brokers.

Fitness determination activities are an important part of the Agency's registration program. During fiscal 1972, 2,101 fitness check requests were initiated by the Agency. These included checks on 360 floor brokers and 1,741 futures commission merchant personnel. Derogatory information of various degrees was found in 178 instances. In sixteen cases special investigations were made into the details of the charges. Two potential brokerage firms were refused registration when it was determined that they were unfit. Both firms requested a hearing. One later withdrew its request; the other hearing is pending. Three established futures commission merchants were notified that if certain individuals remained in their employ it would be necessary to bring fitness actions against their respective firms. One such notification was withdrawn when extenuating circumstances surrounding the case were uncovered. One fitness hearing on the denial of a floor broker application was canceled during the year when the applicant withdrew his request for a hearing. Registration was initially refused another floor broker applicant but the Agency later reversed its decision when it was convinced that his record was expunged under the Youth Corrections Act.

#### 7. Segregated Funds Program.

The Agency conducted 188 segregation audits of futures commission merchants during fiscal year 1972 to determine that protection was being provided for customers' funds. It also examined the records of 101 "1.31a" brokers who had their customers' accounts handled directly by other brokers. Agency auditors examined a record total of 63,716 customers' accounts with equities of \$193,983,551 in conducting both segregation audits, and general audits, the latter under the Agency's financial requirements program. During fiscal 1972 there were four audits which disclosed undersegregation of customers' funds. These audits resulted in one stipulation of compliance and three complaints.

Revocation of Section 1.31a of the Regulations. On December 31, 1971, Section 1.31a of the regulations under the Commodity Exchange Act was revoked. This section exempted a broker who "carries" all his customers' accounts with another futures commission merchant "on a disclosed basis" from segregation and recordkeeping requirements as well as the minimum financial requirements specified in the CEAct and regulations. As a result of this revocation, all futures commission merchants must now comply with these requirements. Of the 99 futures commission merchants registered to operate in accordance with Section 1.31a, 96 firms chose to discontinue as registered futures commission merchants as of the end of December 1971.

#### 8. Financial Requirements Program.

There were 68 general audits of futures commission merchants conducted under the Agency's financial requirements program. In addition, 112 financial statements from futures commission merchants were analyzed to determine whether firms met CEA's minimum financial requirements. Audits conducted under the minimum financial requirements program uncovered eight poorly financed firms. As a result of positive action on the part of the Agency, these firms either strengthened their capital positions, merged with better capitalized companies or went out of business.

#### 9. Exchanges Supervised and Commodities Regulated.

During fiscal year 1972 the Commodity Exchange Authority supervised futures trading on 10 commodity exchanges. The trading was conducted in 32 separate markets and involved 17 different commodities. Ten other exchanges maintained their designations as contract markets, but had no futures trading. The exchanges and commodities traded are summarized as follows:



<u>Exchange</u>	<u>Regulated Commodity</u>
Chicago Board of Trade .....	Wheat, corn, oats, soybeans, soybean oil, soybean meal, choice steers
Chicago Mercantile Exchange.....	Grain sorghums, eggs (frozen and shell), potatoes, live beef cattle, live feeder cattle*, live hogs, frozen pork bellies, frozen skinned hams
Chicago Open Board of Trade.....	Wheat, corn, oats, soybeans
Citrus Associates of the New York Cotton Exchange, Inc.....	Frozen concentrated orange juice
Commodity Exchange, Inc.....	(No futures trading in 1971-72)
Duluth Board of Trade**.....	(No futures trading in 1971-72)
International Commercial Exchange, Inc....	Frozen pork bellies
Kansas City Board of Trade.....	Wheat, grain sorghums
Memphis Board of Trade Clearing Association.....	(No futures trading in 1971-72)
Merchants' Exchange of St. Louis.....	(No futures trading in 1971-72)
Milwaukee Grain Exchange.....	(No futures trading in 1971-72)
Minneapolis Grain Exchange.....	Wheat, corn, frozen pork bellies
New Orleans Cotton Exchange.....	(No futures trading in 1971-72)
New York Cotton Exchange.....	Cotton
New York Mercantile Exchange.....	Potatoes (Maine and Idaho russet), imported frozen boneless beef*
New York Produce Exchange.....	(No futures trading in 1971-72)
Northern California Grain Exchange.....	(No futures trading in 1971-72)
Portland Grain Exchange.....	(No futures trading in 1971-72)
Seattle Grain Exchange.....	(No futures trading in 1971-72)
Wool Associates of the New York Cotton Exchange.....	Wool

\* New commodity market in fiscal year 1972.

\*\* Designation vacated at own request on January 10, 1972.

# Workload data on major activities of the Commodity Exchange Authority

	ACTUAL				ESTIMATED			
	1970	1971	1972	1973	1974	1973	1974	
<b>I. Registration and Audit:</b>								
Audits of customers segregated funds.....	289	295	188	195	210			
Accounts examined.....	21,576	42,828	63,716	50,000	50,000			
Financial statements examined.....	407	204	645	450	500			
Financial requirements audits.....	89	49	68	62	65			
Futures commission merchants registered.....	369	355	274	260	260			
Floor brokers registered.....	1,088	1,168	1,266	1,300	1,330			
Fitness checks of individuals in commodity trade.....	771	2,059	2,101	2,100	1,875			
<b>II. Supervision of Futures Trading:</b>								
<b>Market and commodities</b>								
Exchanges.....	20	20	20	21	21			
Commodities.....	21	20	17	19	21			
Markets (4 wheat, 3 corn, etc.).....	32	34	32	34	34			
Number of contracts traded (millions).....	10.3	11.8	12.6	13.7	14.9			
Number of month-end open contracts in terms of contract units - annual average (thousands).....	231.0	270.8	256.8	260.0	265.0			
Reports tabulated and analyzed								
Daily trading and open contracts (thousands).....	210.3	207.7	203.3	220.0	230.0			
Daily and weekly reports of large traders (thousands):	457.9	462.1	392.1	410.0	430.0			
Average daily reports received from large traders (thousands).....	1.5	1.3	1.4	1.5	1.5			
Weekly stock reports on grains received from warehouses (thousands).....	6.5	6.2	5.5	6.0	6.0			
Delivery notices (thousands).....	72.9	76.0	113.4	80.0	85.0			
Special calls and surveys.....	2	2	1	2	2			
Accounts (thousands).....	3.9	3.6	.8	3.5	4.0			
<b>III. Investigations and Proceedings:</b>								
Compliance investigations completed.....	62	79	106	107	111			
Criminal prosecutions instituted.....	0	1	2	2	1			
Administrative proceedings instituted.....	10	2	17	13	11			



## PACKERS AND STOCKYARDS ADMINISTRATION

### Purpose Statement

The Packers and Stockyards Administration was established by Secretary's Memorandum No. 1613, Supplement 1, of May 8, 1967. The Agency administers the Packers and Stockyards Act of 1921, as amended, as well as the Truth in Lending Act and the Fair Credit Reporting Act as these statutes relate to persons and firms subject to the Packers and Stockyards Act. The main objective of the Act is to assist in the maintenance of fair competitive practices in the marketing of livestock, meat, and poultry. It operates currently to suppress monopoly, fraud, or restraints on trade in the marketing of \$19 billion worth of livestock and nearly \$2 billion of live poultry, which represents approximately 40% of the cash income of U.S. farmers, and \$24 billion worth of meat and dressed poultry annually, which is about 1/5 of civilian consumer expenditures for farm food in the U.S.

The principal programs carried out in administering the Act are:

1. Investigation of packer meat merchandising and chain store buying practices in order to maintain prices established by fair and competitive marketing practices and conditions.
2. Investigation of livestock procurement methods by packers and dealers to assure that unfair trade practices detrimental to producers and the industry are not in use.
3. Surveillance of marketing methods at public markets to foster and maintain fair and effective competition.
4. Investigation of complaints regarding poultry marketing practices to identify and correct those which are injurious to producers and operators in the industry.
5. Carrying out weighing investigations to eliminate false and careless weighing to the maximum extent possible.
6. Investigation of custodial accounts to determine that shippers' proceeds are safeguarded and otherwise handled in conformance with existing regulations.
7. Investigation of financial condition of registrants and others subject to the Act to determine that they are financially sound and capable of meeting their obligations, and requiring bonds of auction operators, commission firms and dealers.
8. A poultry scale testing program and extension of livestock and monorail scale testing efforts to assure accurate scale facilities.
9. Study of services and facilities at public markets to determine that they are adequate.
10. Review of stockyard rates to determine that they are reasonable and commensurate with the services and facilities provided.
11. Investigation and providing for hearings and settlement of reparation complaints for money damages.
12. Registration of dealers and market agencies and posting stockyards.

These functions are carried out through a Washington, D.C. office, and 13 field stations located in Atlanta, Georgia; Springfield, Illinois; Denver, Colorado; Fort Worth, Texas; Huntington Park, California; Indianapolis, Indiana; Kansas City, Missouri; Memphis, Tennessee; Newark, New Jersey; Portland, Oregon; Omaha, Nebraska (sub-station in Sioux City, Iowa); St. Paul, Minnesota; and Arlington, Virginia.

Available Funds and Man-Years  
1972 and Estimated, 1973 and 1974

Item	Actual		Estimated		Budget Estimate	
	1972		Available, 1973		1974	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Packers and Stockyards						
Administration.....	\$4,005,650	200	\$4,054,530	200	\$4,054,530	199
Obligations under other						
USDA appropriations:						
Miscellaneous reim-						
bursements.....	- -	- -	2,000	- -	2,000	- -
Total, Packers and Stock-						
yards Administration....	4,005,650	200	4,056,530	200	4,056,530	199

PACKERS AND STOCKYARDS ADMINISTRATION

Appropriation Act, 1973 .....	\$4,062,650
Budget Estimate, 1974 .....	<u>4,054,650</u>
Decrease in Appropriation .....	-8,000

Adjustments to 1973 appropriation:

Appropriation Act, 1973 .....	4,062,650	
Transfer to General Services Administration		
for rental of space .....	-8,000	
Adjusted Appropriation .....		4,054,650
Budget Estimate, 1974 .....		<u>4,054,650</u>

PROJECT STATEMENT

(On basis of adjusted appropriation)

Project	1972	1973 (estimated)	1974 (estimated)
1. Administration of the Packers and Stockyards Act .....	\$3,864,099	\$4,054,650	\$4,054,650
Unobligated balance .....	141,551	- -	- -
Total available or estimate .....	<u>4,005,650</u>	<u>4,054,650</u>	<u>4,054,650</u>
Transfer to GSA .....	- -	+8,000	
Total, appropriation .....	<u>4,005,650</u>	<u>4,062,650a/</u>	

a/ Of this amount, \$43,000 has been withheld from use in 1973, principally from funds budgeted for travel.





## STATUS OF PROGRAM

Current Activities: The Packers and Stockyards Act, 1921, as amended (7 U.S.C. 181-229), is designed to assure free and open competition, and fair trade practices in the marketing of livestock, live poultry, meat and dressed poultry. The major objectives of the Act are to protect producers and consumers against unfair business practices in the marketing of livestock, meat and poultry, and members of the livestock marketing and meat and poultry industries against unfair, deceptive, discriminatory and monopolistic practices of competitors.

These industries are continuing to undergo vast changes in marketing structure including concentration of buying power, new merchandising and pricing practices, and new procurement methods. These activities are investigated and their economic effect upon competitive conditions in the livestock, poultry and meat industries are evaluated to determine their compliance with the Act.

Investigations are conducted to determine that packers' livestock procurement practices, meat merchandising methods, and chainstore buying practices do not involve proscribed malpractices. Through the use of required annual and special reports, as well as audits, the financial stability of these organizations is determined to guard against loss to persons and firms dealing with them. When violations are established, procedures to obtain cease and desist orders are initiated to prevent future violations.

Operations of stockyards, livestock market agencies, and dealers are investigated and audited to assure that their business practices are fair and in free open competition; that they are financially sound; and that adequate services and facilities are furnished by stockyards and market agencies at reasonable and nondiscriminatory rates and charges.

To assure accurate weights, the Department also supervises the testing, maintenance, and operations of scales used in transactions subject to the Act. The Department conducts a checkweighing program to determine if the scales are being used honestly. This involves reweighing livestock after it has been weighed at a market or selling preweighed livestock to a packer or dealer.

The law also provides for the Department to investigate claims for money damages and to issue a money award to anyone injured financially as a result of a violation by a stockyard owner, market agency, or dealer.

### Selected Examples of Recent Progress:

1. Complaints and Formal Cases: The Agency received over 2,600 complaints during fiscal year 1972. An aggregate amount of \$2,173,972 was paid to 414 complainants in informal settlements and \$201,556 was awarded to complainants in 19 formal reparation cases. An additional \$20,536 was paid to 4 complainants in settlements reached in formal cases. Formal action was initiated in 237 cases. Two hundred fifty-eight formal cases (reparations, civil, criminal and administrative) were completed. At the end of the year, 153 formal cases were pending.

2. Investigations and Audits: The Agency conducted 5,698 investigations and audits. Of these, 2,281 were not based on complaints.

3. Federal-State Relations: In recent years the Administration has developed an effective cooperative program with the States. Under this program the State has assisted the Agency in carrying out such activities as scale testing, checkweighing, and licensing and bonding. The Administration currently has 57 Federal-State agreements with 59 agencies in 46 States. Conversely, in the last and current fiscal years the Agency has assisted four States in implementing acts or amendments to existing laws relating to licensing, bonding and financial responsibility.

Our existing Federal-State agreements do not provide for compensation to the States. The Federal Assistance Review Task Force has recommended, and the National Association of State Departments of Agriculture (NASDA) endorsed, the principle of equitable reimbursement to States for services furnished to P&SA in carrying out programs of that Agency in connection with activities such as scale testing, checkweighing, and licensing and bonding in which both States and P&SA have mutual responsibilities.

4. Financial Protection Programs: The Agency continued to give close attention to the financial condition of registrants. Forty-four administrative proceedings involved insolvency of market agencies, improper handling of custodial accounts or failure to pay for livestock. A review of annual reports showed 277 registrants had inadequate working capital totaling more than \$6,736,000. The Agency's program directed toward voluntary compliance resulted in additions of working capital amounting to \$4,568,000. The Administration maintained a vigorous program to insure the integrity of custodial accounts. The special report procedure continued to be an important tool in the custodial account program. During the year 2,309 of these reports were reviewed, with \$4,800,000 added to the accounts to assure payment to livestock sellers.

During the year the Agency processed 1,063 claims amounting to \$1,825,000 against the bonds of 51 registrants. The claims against 20 of the registrants were resolved with payment of \$237,890. In addition, 321 claimants collected \$490,704 during the fiscal year on claims filed prior to July 1, 1971. The Agency also processed 27 claims totaling \$519,525 on the bond of a packer and the claims were paid in full by the surety. At the close of the fiscal year there were claims pending against the bonds of 69 registrants.

On May 1, 1972, section 201.10 of the regulations was amended to require all new applicants for registration as market agencies or dealers to make a showing of solvency prior to being granted registration under the Act. If a showing of solvency cannot be made, the applicant is denied registration after a hearing.

5. Livestock Marketing Activities: Continued emphasis was given to investigating and seeking correction of fraudulent practices in the sale of feeder cattle. Cases involving sale of cattle to feedlot operators on the basis of false weights and prices were investigated and corrective action obtained. In Texas a major part of the stocker feeder cattle business is handled by few large dealer order buyers. These large dealers receive a substantial number of livestock from small volume suppliers who purchase livestock through auction markets. An investigation was conducted of a widespread practice on the part of small volume dealers of marking up prices and weights on cattle bought for the larger dealers on an agency basis. The practices often involved office employees at the auction markets.

A complex investigation of a firm operating auction markets in two States was completed and a complaint issued. The investigation disclosed a substantial dealer business financed to a large extent from the custodial



account funds. One of the market owners used his position to obtain marked up weights and prices in filling orders.

An investigation involving common ownership of two markets disclosed a serious anticompetitive situation. A market owner bought virtually all the consigned hogs to the market thereby eliminating any competition.

Surveys of 284 auction markets in 15 States were conducted. These surveys are one-day reviews of the business and operating practices of the firms to determine their compliance with the Act. The firms are generally put on notice of any illegal practices found.

A major investigation at one of the larger terminal markets was completed during the year. The investigation involved a dominant buyer who used his position in an unfair manner to boycott uncooperative commission firms. In addition, the buyer regularly defrauded his packer customers.

6. Analysis of Industry Organization and Practices: The Agency's Industry Analysis Staff continued its appraisal and review of the economic significance of changing market structures and the economic effects of developing market behavior and trade practices in the live-stock, meat and poultry industries.

Review of procurement practices by meat packers indicates significant changes in market channels and pricing methods. Decreasing importance of terminal markets is continuing. Direct sales to packers are more important for fed steers and heifers than they are for hogs. Important differences were noted among major regions of the country in market channels for slaughter livestock. Grade and weight transactions are quite common in cattle (19 percent of total purchases, compared with only about 4 percent for calves and hogs and 10 percent for sheep and lambs). Grade and weight outlets are not generally available to producers in many areas--especially for hog producers outside the West North Central region. About 80 percent of total grade and weight purchases of hogs are in the West North Central region. About 45 percent come from one state--Iowa.

During the year, market concentration of the largest slaughtering firms was reviewed. Since the passage of the Packers and Stockyards Act in 1921, the percentages of U. S. slaughter accounted for by the four largest firms have declined from 49 to about 21 percent for cattle, and from 44 to about 32 percent for hogs. For sheep, however, concentration ratios during the 51-year period have remained relatively stable. Moreover, analysis of data on concentration in livestock slaughter purchases indicates that individual firms account for very high shares in local procurement areas (such as individual states).

The staff continues its economic appraisal of marketing practices challenged under litigation. Also, Industry Analysis Staff members served on two of the Secretary's marketing committees for pork and for eggs.

In response to widespread concern of sheep producers and feeders with problems in selling and pricing lambs to slaughterers, we are conducting analyses of the procurement, slaughter, and distribution of lamb in the United States. Major areas of interest include competition among firms for slaughter lambs, procurement and live pricing practices by lamb slaughterers, lamb consumption by regions of the country, and importance and effects of imports of lamb. With the declining population of sheep and lambs in this country, producers in the individual marketing areas have fewer and fewer alternatives in disposing of their lambs when they are ready for slaughter.

7. Packer and Poultry Activities: Significant investigations and actions were undertaken by the Agency in the areas of livestock procurement, meat merchandising and poultry.

The meat packing industry continues to be subject to rapid change, both technically and structurally. Innovations in slaughtering, processing, and marketing have created competitive advantages for some and disadvantages to many inefficient segments of the industry. These changes have motivated complaints to the Agency. Based on these complaints, the Agency ascertains the fairness of new concepts of pricing and marketing arrangements.

One of the major responsibilities under the Act is to insure open competitive marketing conditions for livestock and meat. Investigations and analyses were conducted of marketing conditions in an effort to insure open and competitive markets.

The marketing of livestock for slaughter on a grade and weight basis continues to be an important area of work for the Agency. Surveys of slaughterers continued to be made for possible violations of the Act and regulations related to grade and weight livestock purchases. The regulation provides basic safeguards to producers who choose to market their livestock to packers on a grade and weight basis.

During fiscal 1971 an amendment to regulation 201.68 was issued to clarify a longstanding position of the Agency that packers should not be permitted to engage in the business of buying livestock for resale. Such operations by packers subject to the Act constitute a potential restriction of competition and control of markets and prices. A formal complaint has been issued and another is in the process in an attempt to obtain compliance. This continues to be a problem area.

As a result of complaints from Senators, Congressmen and numerous sheep producers, a comprehensive study of the lamb industry was initiated by the Agency in cooperation with the Economic Research Service. The study has been completed and a preliminary report has been prepared. A draft of the manuscript is being reviewed and edited in preparation for publication.

The review of competitive problems in the meat industry which was initiated during fiscal year 1970 continues to be a valuable source of information concerning meat merchandising practices of meat packers. Proposed advertising and promotion guidelines have been developed with the assistance of the industry and other governmental agencies. Plans have been made to issue these guides during the coming fiscal year in the form of a Statement of General Policy.

The practice of bait-and-switch advertising continues to be a problem in the meat industry. The Agency has investigated numerous complaints concerning this practice and has assisted state and county agencies in many others.

As a result of a complaint, an investigation was initiated of a national packer for alleged price discrimination in the sale of processed meats. Another major investigation was conducted of alleged predatory pricing and below-cost sales by a national packer.

An investigation was completed of an individual who owns a large dealer firm on a major terminal market and is also chairman of the board, chief executive officer, and president of one of the largest meat packing firms in the country. During this investigation, evidence was developed to indicate that this individual and these firms manipulated prices on which



dressed carcass sales were made and supplied competing packers with hogs. It is anticipated that formal action will be initiated.

The Agency's activities in poultry have continued to increase. Complaints were received involving boycotting of broiler growers by integrated poultry firms, unfair weighing practices, breach of contract, price discrimination, and failure to pay promptly for live poultry purchased.

Poultry regulations, pertaining to the business practices of poultry integrators and their dealings with poultry farmers, became effective June 1, 1971. Since the poultry industry had not been previously subjected to regulatory requirements of this nature, it was determined that a major effort should be made to work with each individual firm to gain voluntary compliance. All poultry firms subject to the Act were visited and their operations reviewed to determine whether they were in compliance with the regulations. Many discrepancies were noted and in each case a major effort was made to bring about the necessary changes, on a voluntary basis, to correct any practice not in conformity with the requirements of the regulations. The industry has been very cooperative with this approach and no formal actions have been necessary to force compliance with the regulations.

8. Registration Actions: As of July 1, 1971, there were 4,195 persons and firms registered as market agencies and 10,790 registered as dealers under the Act. During the fiscal year ending June 30, 1972, the Registrations, Bonds and Reports Branch received, reviewed, and processed 818 new market agency and 1,488 dealer registrations. The Branch also rendered inactive the registrations of 639 market agencies and 1,485 dealers. At the close of the year, there were 4,374 market agency and 10,793 dealer registrations in effect. A total of 15,167 persons and firms are currently registered.

9. Scales and Weighing: The livestock scale testing program continued to show satisfactory progress. This year, 12,431 tests were conducted on 5,332 scales as compared to 12,539 tests on 5,386 scales the previous year. The percentage of scales inaccurate in fiscal 1972 was 20.1 as compared to 21.2 in 1971.

Of the 473 monorail scales used in purchasing livestock on a grade and weight basis, 99.6 percent were tested--the same as the previous year and 86.7 percent were tested two or more times as compared with 78.9 percent in 1971. One hundred and ninety-one scales, or 40.6 percent, were inaccurate this year as compared with 195 scales, or 38.9 percent, last year.

Forty-five of the monorail scales are installed in systems so that the livestock carcasses are weighed while in motion. Since in many instances these scales weigh as many as eight thousand hog carcasses a day, a consistent error of a pound or more can be extremely costly to either the meat packer or the livestock producers.

A survey of poultry packers, live poultry dealers, and handlers was conducted during the year by agency personnel to determine: (1) compliance with the poultry regulations 201.100 - 201.110; (2) the location, type, capacity, and adequacy of scales used in the purchase, sale or acquisition of live poultry; and (3) to study weighing practices currently in use. The survey reveals that approximately 248 scales are owned or controlled by poultry firms and 109 scales owned by private parties are used for weighing live poultry. The reports on 125 tests on subject scales were received this year.

A livestock checkweighing program is routinely conducted on a spotcheck basis to determine if livestock is accurately weighed. This year, checkweighing and direct sales weighing investigations were conducted at 359 markets, as compared with 343 markets the previous year. Inaccurate weighing practices were found at 74 markets, or 24 percent of the markets checked. In fiscal year 1971, inaccurate weighing was found at 69 markets, or 20.1 percent. Seven administrative complaints were issued during the year charging false weighing practices and seven decisions and orders issued by the Judicial Officer. In all instances, except one, the respondents were ordered to cease and desist from the false weighing practices alleged and their registration suspended for a substantial period of time.

10. Rates, Services and Facilities: Proposed rate increases from 11 central markets, 8 market agency groups, and 101 auction markets were processed. Direct savings to shippers resulting from disapproval of proposed increases amounted to \$933,950 on an annual basis. A total of 792 new tariffs were analyzed.

This activity was reduced because of the price freeze during the period. Proposed increases in rates at two auction markets were suspended and investigations are being conducted to determine the reasonable rates for those markets.

11. Jurisdictional Activities under the Packers and Stockyards Act:

Activity	Fiscal Year				
	1968	1969	1970	1971	1972
Yards posted.....	2,207	2,204	2,207	2,105	2,018
Market agencies and dealers registered..	15,812	15,589	15,599	14,985	15,167
Packers (est.).....	3,200	3,200	3,200	2,206*	2,086*

\*Includes only packers required to file annual reports

12. Complaints Investigated and Formal Proceedings under the Packers and Stockyards Act:

Activity	Fiscal Year				
	1968	1969	1970	1971	1972
Complaints received..	5,555	6,338	6,209	6,709	* 2,652
Investigations and audits .....	8,647	6,980	7,715	7,508	5,698
Cases pending start of year .....	130	155	150	140	174
New and reopened cases .....	221	234	217	265	237
Cases disposed of ...	196	239	240	233	258
Cases pending end of year .....	155	150	127	174	153

\* Only significant complaints recorded and reported

## FARMER COOPERATIVE SERVICE

### Purpose Statement

The Secretary of Agriculture established the Farmer Cooperative Service in December 1953, after Congress in the Farm Credit Act (Public Law 202, August 6, 1953), transferred its functions from Farm Credit Administration to the Secretary of Agriculture.

The Secretary has assigned to the Service (1) the functions under the Cooperative Marketing Act of 1926 (7 U.S.C. 451-457), and (2) the functions that relate to the economic and marketing aspects of farmer cooperatives under the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627).

The Farmer Cooperative Service conducts research, advises directly with cooperative leaders and others, and encourages cooperative organization and development through other Federal and State agencies. It publishes results of its research, issues News for Farmer Cooperatives, and provides other educational material.

The Farmer Cooperative Service works to help (1) farmers increase their net returns through better prices for products they sell and lower prices for the supplies and services they buy, (2) rural residents use cooperatives to develop their resources, and (3) people understand how cooperatives operate.

The Service is located in Washington, D. C. and has no field offices. The work consists of two programs: (1) research and (2) technical assistance in cooperative development.

Available Funds and Man-Years  
1972 and Estimated, 1973 and 1974

	Actual 1972		Estimated Available, 1973		Budget Estimate 1974	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Farmer Cooperative Service ....	\$1,909,000:	80 :	\$2,055,000:	83 :	\$1,955,000:	83 :
Other Funds:						
Agency for International						
Development:						
Technical consultation						
and support program...	2,000:	- - :	2,000:	- - :	2,000:	- - :
Training foreign						
participants .....	35,100:	2 :	36,000:	2 :	36,000:	2 :
Special projects to						
provide technical						
development assistance :						
for farmers cooperatives:						
in Brazil, Paraguay						
and Colombia .....	97,711:	3 :	57,000:	2 :	36,000:	1 :
Other .....	9,712:	- - :	- - :	- - :	- - :	- - :
Total, Agency for Interna-						
tional Development .....	144,523:	5 :	95,000:	4 :	74,000:	3 :
Funds received from States,						
local organizations and						
others for work under						
cooperative agreements ....	71,043:	2 :	130,000:	2 :	115,000:	2 :
Miscellaneous reimbursements:	11,984:	1 :	25,000:	- - :	26,000:	- - :
Total, Other Funds .....	83,027:	3 :	155,000:	2 :	141,000:	2 :
Total, Farmer Cooperative						
Service .....	2,136,550:	88 :	2,305,000:	89 :	2,170,000:	88 :



FARMER COOPERATIVE SERVICE

Appropriation Act, 1973 .....	\$2,055,000
Budget Estimate, 1974 .....	<u>1,955,000</u>
Decrease in Appropriation .....	<u>-100,000</u>

SUMMARY OF DECREASE

	<u>1973</u>	<u>Decrease</u>	<u>1974</u> <u>Estimate</u>
Technical assistance to cooperatives .....	\$860,000	-\$100,000	\$760,000
Research to improve cooperative performance..	<u>1,195,000</u>	- -	<u>1,195,000</u>
Total available .....	<u>2,055,000</u>	<u>-100,000</u>	<u>1,955,000</u>

PROJECT STATEMENT

Project	1972	1973 (estimated)	Decrease	1974 (estimated)
1. Research and technical assistance for agricultural cooperatives ...	\$1,903,424	\$2,055,000	-\$100,000(1)	\$1,955,000
Unobligated balance .....	5,576	- -	- -	- -
Total available or estimate .....	1,909,000	2,055,000 a/	-100,000	1,955,000

a/ Of this amount, \$115,000 has been withheld from use in 1973 of which \$15,000 is principally from funds budgeted for travel.

(1) A decrease of \$100,000 for technical assistance to cooperatives.

A reduction of \$100,000 for technical assistance to cooperatives is proposed for FY 1974. These funds were appropriated in 1973 but were withheld from use. The 1974 budget request proposes to continue operations at this same level.



## STATUS OF PROGRAM

Cooperatives serve as a balance in the agricultural industry. They help the farmer learn the cost of (1) procuring and distributing supplies, (2) providing services, and (3) marketing and processing farm products. Cooperatives help keep the selling of farm supplies, the providing of services, and the marketing of farm products competitive. They do this by providing farmers with an alternative through which they can purchase supplies and market products. Most of all, however, they are helping all farmers preserve their decision-making role regarding what and how much to produce, how to produce, and how to market.

Technical Assistance to farmer directors of cooperatives and their managers is a cornerstone to the success of farmer-owned cooperatives.

The Farmer Cooperative Service, through its mission-oriented research and technical assistance programs, advises farmers, co-op officials, and other rural people on how to improve or expand existing cooperatives and, when needed, develop new cooperatives. The Service achieves this through a program that coordinates research on the special problems of cooperatives with an active technical assistance program.

The research program focuses on unique cooperative aspects of organization structure, financing methods, cost and efficiency, merchandising methods, management practices, and member relations.

The technical assistance program, on request (1) advises individual and groups of cooperatives on specific organizational or operating problems, and (2) serves all residents, including those who most need additional income, new services, and skills, in establishing and maintaining viable co-ops.

Specific problems to which efforts are now being directed are:

1. Further the economic integration of farmer cooperatives. Cooperative integration offers great potential benefits to producer members and their cooperatives through increased efficiency, expanded markets, increased returns to producers, and greater effectiveness in dealing with conglomerates and other integrated agribusiness firms.
2. Improve financial structure of farmer cooperatives. A need has been demonstrated for more permanent equity capital and other capital structure adjustments and adaptations to help cooperatives serve farmers better in today's economy.
3. Improve farmers' bargaining effectiveness. Concentration of buying power, direct buying, and forward contracting by processors and wholesalers is reducing the farmers' economic strength in the market place. It also is reducing the effectiveness of traditional price-making processes such as terminal markets and field prices. Studies indicate that bargaining cooperatives can successfully bargain for improved terms of trade for farmers.
4. Develop more effective member relations programs. As cooperatives grow to state-wide and regional size, frequency of personal contact by farmer with his cooperative declines. There is urgent need to develop better communication methods and techniques to solve the problem of maintaining member identification with and direction of his cooperative.

### Selected Examples of Recent Progress:

Improving Operations of an Artificial Breeding Cooperative. This study analyzed the operations of this federated artificial breeding cooperative and recommended it centralize its bull stud and locate it more central to the membership. Such action would decrease costs to farmers using the services of the cooperative by about \$75,000 annually. We are now studying the feasibility of improving the federation's marketing system by reorganizing the cooperative into a centralized organization.



Improved Grain Marketing in the North Central States. This study analyzed the feasibility of a midwestern regional grain marketing cooperative building a new fast handling river elevator to provide improved marketing services to over 150,000 grain producers in Minnesota, Montana, North Dakota, and South Dakota. We estimate the new facility will save producers about \$500,000 annually.

Reducing Transportation Costs in Sugar Beet Processing. Some 300 sugar beet producers in South Central Minnesota have been marketing their beets to a refinery near Minneapolis. The refinery was recently closed and Farmer Cooperative Service was requested to evaluate the feasibility of those producers organizing a cooperative to process their beets. The study shows that by locating the processing facility nearer the production area and eliminating outlying beet piling stations producers can save \$500,000 annually in transportation costs compared with such costs to the Minneapolis facility.

Merging Grain Cooperatives for Greater Efficiency. Five Illinois grain cooperatives needed assistance in improving their grain marketing operations. The analysis showed the five cooperatives should merge and construct a new one million bushel elevator to achieve economies of scale to permit the cooperative to originate train loads of grain. Advantages of unification of the five cooperatives would include (a) centralization of management and reduction in needed personnel, (b) increased efficiency in grain marketing and handling, and (c) expansion and improvement in farm supply operations and services.

Financial Structure of Farmer Cooperatives. A nationwide study of the financial structure of farmer cooperatives is a useful tool in financial management and forward planning by cooperative management. The study developed basic information on trends in borrowed capital in the financial structure of cooperatives, sources of such borrowed capital, trends in revolving fund method of financing, trends in cash patronage refunds, and trends among cooperatives towards giving up their tax exempt status.

Cooperative Increase Exports. Farmer Cooperative Service has a research program underway to identify opportunities cooperatives have to expand foreign trade. The study shows that cooperatives increased exports of agricultural commodities between 1968 and 1970, from \$451 million to \$782 million -- an increase of 73 percent. The study also identified the major export markets of cooperatives and evaluated the potential of those markets. Findings of this research will help cooperatives further increase their exports and, thus, help improve our balance of trade.

Improving Cotton Marketing. Farmer Cooperative Service is conducting research to help cotton producers improve their competitive position. This work has shown that alternative cotton marketing systems can substantially reduce off-farm costs as well as enable cotton marketing organizations to provide cotton mills with ginned cotton to their specifications. The producer-oriented cotton marketing system is based on central ginning and forward contracting with mechanical classing and sampling, seed cotton blending, and one density bales as major elements in the marketing program.

Developing Indian Lands. Farmer Cooperative Service is assisting the Four Corners Regional Commission and Navajo leaders in identifying the cooperative organizations required to provide the production supplies and marketing services needed in the 111,000 acre Navajo Irrigation Project. This project is expected to increase substantially the incomes of the participating Navajo people.

Helping Cooperatives Overseas. Under funds transferred from the Agency for International Development, Farmer Cooperative Service personnel are aiding cooperative development in Brazil and Columbia by helping to strengthen public and private institutions responsible for such programs. They advise such institutions on conducting training programs and research, revising cooperative statutes, organizing co-op councils, selecting personnel for co-op training in the United States, and improving day-to-day operations of cooperatives. In addition, Farmer Cooperative Service helped prepare 70 training programs and gave instruction to 198 visitors studying the development of cooperatives in the United States.



## FOREIGN AGRICULTURAL SERVICE

### Purpose Statement

The Foreign Agricultural Service was established March 10, 1953, by Secretary's Memorandum No. 1320, Supplement 1. Public Law 690, approved August 28, 1954, transferred the agricultural attaches from the Department of State to the Foreign Agricultural Service.

The agency performs two principal kinds of service functions:

It maintains a world wide agricultural intelligence and reporting service, to assist U.S. agricultural industry in its export operations. This is done through a continuous program of analyzing and reporting foreign agricultural production, markets, and policies.

It helps to develop foreign markets for U.S. farm products through effective market promotion under special export programs and through helping to secure international trade conditions that are favorable toward our products.

International Trade - Under authority of the Trade Expansion Act, the Service directs and coordinates Department participation in the formulation of trade programs and agreements to stabilize and expand world trade in American agricultural products, and to reduce restrictive tariff and trade practices against import of American agricultural commodities. The relationship with the European common market is a continuing problem and intensive efforts are being made to maintain access to the market for U.S. agricultural commodities. This requires comprehensive analysis of the developing situation in the common market countries and related trade areas and appropriate representation to officials of the European Economic Community. Recommendations for the Departmental positions on trade agreements and international commodity agreements are formulated. Continuous review is made of the trade regulations of signatories to the General Agreement on Tariffs and Trade as these regulations affect the movement of American farm products in international trade. The Service administers a program of import controls in accordance with Section 22 of the Agricultural Adjustment Act of 1935, as amended, on foreign farm products which would render ineffective or materially interfere with U.S.D.A. programs relating to agricultural commodities. It is also responsible for administering import controls established under the 1964 Meat Import Act and section 204 of the Trade Expansion Act.

Agricultural Attaches - Agricultural attaches located in 62 posts assist in the development of markets abroad for U.S. agricultural commodities. This includes major responsibility for supervision of market activities carried out in cooperation with trade groups. In addition, they have an active role in promoting U.S. agricultural interests in bilateral and multilateral trade policy negotiations. A comprehensive schedule of foreign agricultural market and trade reporting is maintained to meet the needs of the American agricultural industry.

Market Development - The Service administers programs concerned with the development of foreign markets for agricultural products of the United States, and coordinates interagency participation and action essential to administration of these programs. These functions involve: (a) Developing a system of worldwide promotional programs, on a commodity-by-commodity basis, in cooperation with national organizations of producers, processors, and exporters, and providing overall guidance to these organizations in carrying out cooperative programs; (b) developing, operating, and evaluating a worldwide system of multicommodity promotional programs utilizing trade fairs, trade centers and point-of-purchase campaigns to expand overseas markets; (c) reviewing foreign marketing plans, providing technical assistance in their design, developing procedures and controlling budgets and funds essential to their implementation, and evaluating programs implemented; (d) cooperating with State and local organizations in programs designed to provide technical assistance to U.S. agricultural export firms

and to stimulate participation of new U.S. "cooperator" groups in promotional projects; (e) developing and guiding a systematic review of foreign markets on a country-by-country basis to find new market opportunities for U.S. agricultural products and to develop long-range promotional plans for such markets; and (f) exploring new methods and techniques to stimulate the flow of U.S. farm products into overseas markets.

Commodity Programs - Information on foreign market requirements for specific commodities is obtained, analyzed, and made available to farm and trade groups as is information on production, trade, prices, etc. A continuous program is carried on to maintain and expand the market abroad for U.S. farm products. This program includes developing and supervising Commodity Market Development Projects. Assistance is rendered to domestic trade representatives in negotiations with foreign government officials, importers, and consumers, and bringing together American exporters and foreign importers under conditions favorable to trade.

Organization - The work of the Service is carried out by headquarters staff in Washington, D.C., 62 Agricultural Attache posts in various countries, and a regional field service director in Chicago for direct contact with present and potential exporting firms and state marketing offices.

Available Funds and Man-Years  
1972 and Estimated, 1973 and 1974

Item	Actual		Estimated		Budget Estimate	
	1972		Available 1973		1974	
	Amount	Man-Years	Amount	Man-Years	Amount	Man-Years
Foreign Agricultural Service:						
Appropriation.....	\$25,536,000:	707	\$25,805,000:	685	\$25,805,000:	673
Transfer from						
Section 32.....	3,117,000:		3,117,000:		3,117,000:	
Total.	\$28,653,000:	707	\$28,922,000:	685	\$28,922,000:	673
Salaries and expenses (special foreign currency program).....	\$ 768,251 <sup>a</sup> :	17	\$1,000,000 <sup>a</sup> :	19	\$1,000,000 <sup>a</sup> :	19
Total, Agricultural Appropriation Bill.....	\$28,653,000:	724	\$28,922,000:	704	\$28,922,000:	692
Other USDA Funds	123,808:	1	127,000:	1	127,000:	1
Total, other funds..	123,808:	1	127,000:	1	127,000:	1
Total, Foreign Agricultural Service.....	\$28,776,808:	725	\$29,049,000:	705	\$29,049,000:	693

<sup>a</sup>/ Represents obligations. No appropriations are required for this item since the unobligated balances brought forward are sufficient to carry out this program.





(a) Foreign Agricultural Service

	<u>Appropriation</u>	<u>Transfer from Section 32</u>	<u>Total</u>
Appropriation Act, 1973...	\$25,805,000	\$3,117,000	\$28,922,000
Budget Estimate, 1974.....	\$25,805,000	\$3,117,000	\$28,922,000

PROJECT STATEMENT  
(On Basis of Adjusted Appropriation)

	1972	1973 Estimated	1974 Estimated
1. International Trade.....	\$ 1,018,762	\$ 929,000	\$ 929,000
2. Agricultural Attaches.....	6,051,308	6,201,000	6,201,000
3. Market Development.....	17,589,305	18,029,000	18,029,000
4. Commodity Programs.....	3,710,719	3,763,000	3,763,000
Unobligated Balance.....	282,906	--	--
Total Appropriation	\$28,653,000	\$28,922,000 <sup>a/</sup>	\$28,922,000

<sup>a/</sup>Of this amount, \$117,000 has been withheld from use in 1973 principally from funds budgeted for travel.



## STATUS OF PROGRAM

Current Activities: The Foreign Agricultural Service's chief function is to carry out a broad program to assist American agriculture in maintaining and expanding its foreign markets. These exports contribute substantially to the U.S. balance of payments (Chart No. 1).

Among the Service's specific duties are: operation of a worldwide agricultural intelligence system; activities to insure access to markets; direction of a cooperative program with industry for the development of commercial export markets; and the administration of certain agricultural import control programs.

Agricultural attaches are stationed in 62 posts throughout the world to represent U.S. agriculture. The attaches carry out a comprehensive system of reporting to meet the needs of U.S. agriculture; serve as the voice of American agriculture at the posts; and take necessary action to help gain and maintain access to foreign markets and develop such markets for U.S. agricultural products.

The State Department is reimbursed by the Foreign Agricultural Service for administrative and other support costs furnished overseas at attache posts.

The market development program--aimed at commercial export market expansion--is being carried out in cooperation with more than 60 agricultural trade and producer groups. Virtually every U.S. farm product entering into world trade is represented. Activities reach into more than 70 countries around the globe. These jointly financed export promotional activities--undertaken by government and private industry--include advertising, merchandizing, trade servicing, training and educational programs, seminars, demonstrations, international trade exhibits, and trade missions to and from the United States. Innovations in risk-sharing have encouraged more U.S. businessmen to venture into the field of exporting.

The U.S. situation in international trade in agricultural products is enhanced through the Service's reporting and working to remove world trade barriers, the study of foreign competition with American products, the analysis of market situations affecting export sales of agricultural commodities, and dissemination of foreign marketing information to U.S. farm, processor, exporter, government, and other interested groups.

### Selected Examples of Recent Progress:

#### SUMMARY OF AGRICULTURAL TRADE

United States agricultural exports, riding a three year trend of steady expansion, are up again by almost \$2 billion this fiscal year to an expected total of \$10 billion. While Japan remains this country's best single customer for agricultural commodities, the increased value of agricultural exports in 1972/73 is due primarily to a massive increase in the volume of trade with the Soviet Union. Consequently, agricultural exports will contribute a \$3.5 billion surplus to the United States' agricultural trade balance in 1972/73, triple what American farmers achieved during the previous record year 1966/67. Wheat shipments abroad increasing by 90 percent to over \$2 billion accompanied by growing feed grain, soybean, and livestock exports highlight a very dynamic agricultural trading picture.

1. U.S. Farm-Product Exports Hit \$8 Billion Record in 1971/72: U.S. agricultural exports advanced to an alltime high of \$8 billion in 1971/72 -- 4 percent or nearly \$300 million above the prior record. (Chart No. 2). Value increases in soybeans, cotton, dairy products, cattle hides, beef, pork, fruits, nuts, vegetables, and feed grains more than offset reduced shipments of wheat, flaxseed, alfalfa meal, and lard.

The total included shipments of more than \$1 billion worth of animals and animal products, a record for that category, and more than \$2 billion in soybeans and products, the first time exports of any commodity have exceeded \$2 billion.

Higher prices were responsible for nearly all the value increase in exports in 1971/72. The aggregate price index was nearly 3 percent higher than a year earlier, while volume was about equal to the record level of 1970/71.

U. S. farm-product exports in the first half of 1971/72 were affected by a number of unfavorable trade aspects. First, longshoremen's strikes on the East, Gulf, and West Coasts severely hampered exports. The West Coast strike from July 1 through October 6 sharply reduced exports of wheat, alfalfa meal, safflower seed, canned fruits, and vegetables. Much of these export losses were not recovered. Many foreign countries purchased these items from other competitors or substituted other products in place of U.S. products.

The value increase occurred during January-June 1972 when exports rose to a record \$4.2 billion compared with \$3.9 billion a year earlier. This period was relatively free of strikes except for a West Coast strike from January 17 to February 21. In addition, the bulk of grain sales to the USSR moved out during this span. Economic growth picked up in most foreign countries in the second half and gave a further boost to U.S. agricultural exports. During this period reports of reduced foreign grain production prospects began to appear.

For the second year in a row, all of the increase in U.S. agricultural exports was in commercial sales for dollars. These sales totaled about \$7 billion, around \$300 million above a year earlier. Exports under Government-financed programs were about equal to the \$1.1 billion exported in 1970/71. The exports of \$8 billion worth of products required the output of 1 out of every 5 acres harvested, or 65 million acres of cropland for the commodities exported in 1971/72. This was down slightly from the 72 million acres required for exports in 1970/71 because of reduced wheat exports and the higher average yields per acre in 1971. The export market took over half of U. S. rice and soybean production; two-fifths of the wheat, cattle hides, and tallow; and about one-third of the tobacco and cotton production. The foreign outlet was also important for a number of minor products, including one-fourth of the dried edible bean output, lemons, and nonfat dry milk. The dollar value of feed grain exports was equivalent to about one-fifth of the sales by U. S. farmers.

Farm exports to developed countries totaled \$5.0 billion in 1971/72, about the same value as a year earlier, but considerably different in composition. Sharply reduced wheat and feed grain shipments cut exports to Japan, our top market, by 4 percent. Feed grain exports alone were down 2 million tons as Japan purchased more coarse grains from such countries as Australia, Brazil, South Africa, and Thailand. Exports to the EC, after adjustment for transshipments, fell about 7 percent to \$1.9 billion in 1971/72. Exports not subject to variable levies helped to maintain exports to the EC.

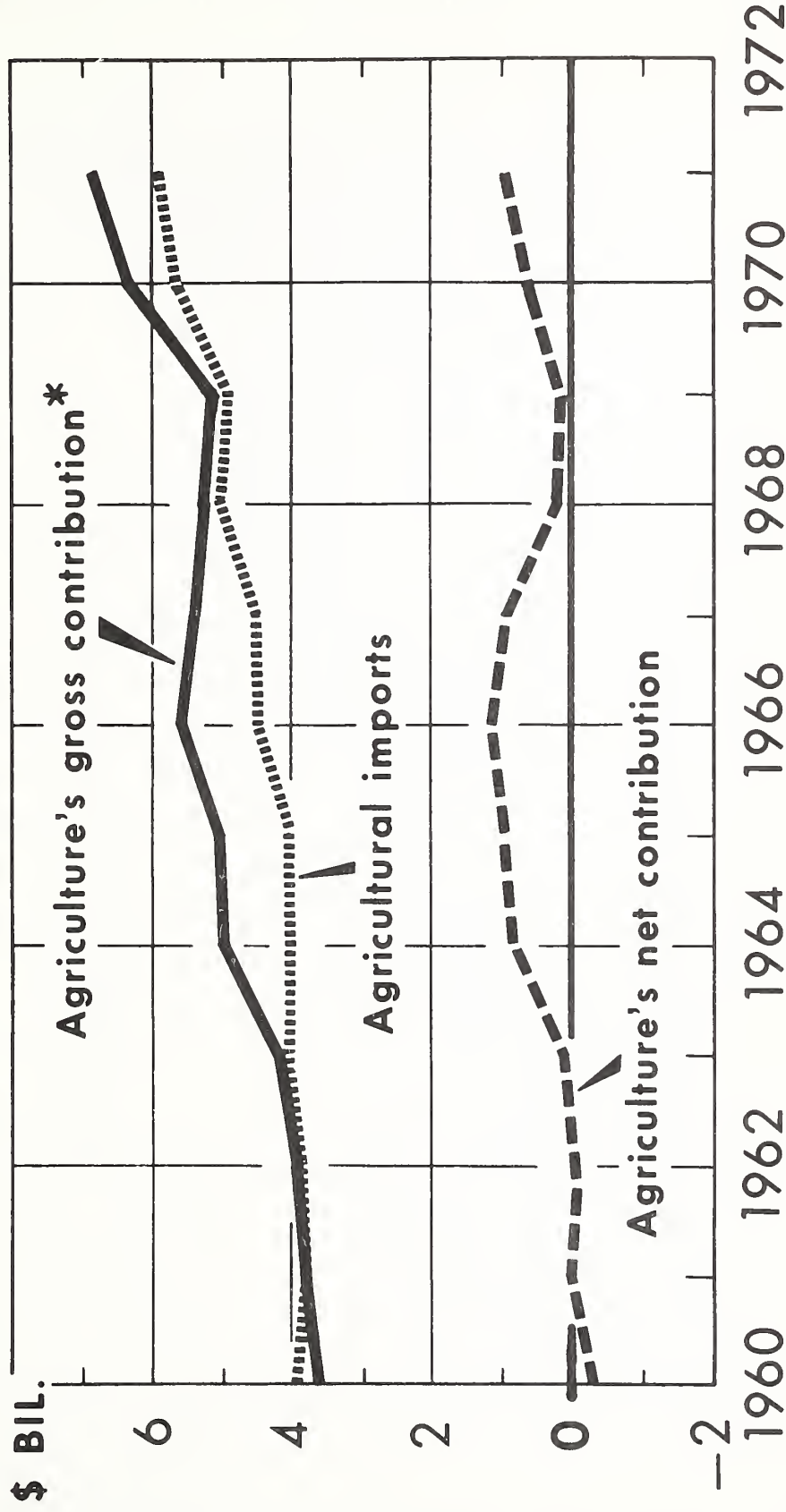
Exports to developing countries totaled \$2.7 billion in 1971/72, a little more than a year earlier. Exports to South Vietnam, India, Brazil, and Morocco declined while those to South Korea, Philippines, Iran, Pakistan, Egypt, Afghanistan, Colombia, and Peru gained.

Exports to Eastern Europe rose to nearly \$300 million in 1971/72 from about \$170 million in 1970/71. The big increase to Eastern Europe occurred when the USSR purchased large quantities of feed grains. Exports, including transshipments, of feed grains to USSR totaled about 3.0 million tons, valued at about \$150 million. Exports to other East European countries showed mixed trends: Exports to Poland and East Germany increased while those to Romania, Bulgaria, Czechoslovakia, and Hungary declined.

2. Farm Trade Balance Highest in Five Years: Agricultural exports in 1971/72 were \$2.0 billion larger than agricultural imports. This favorable agricultural



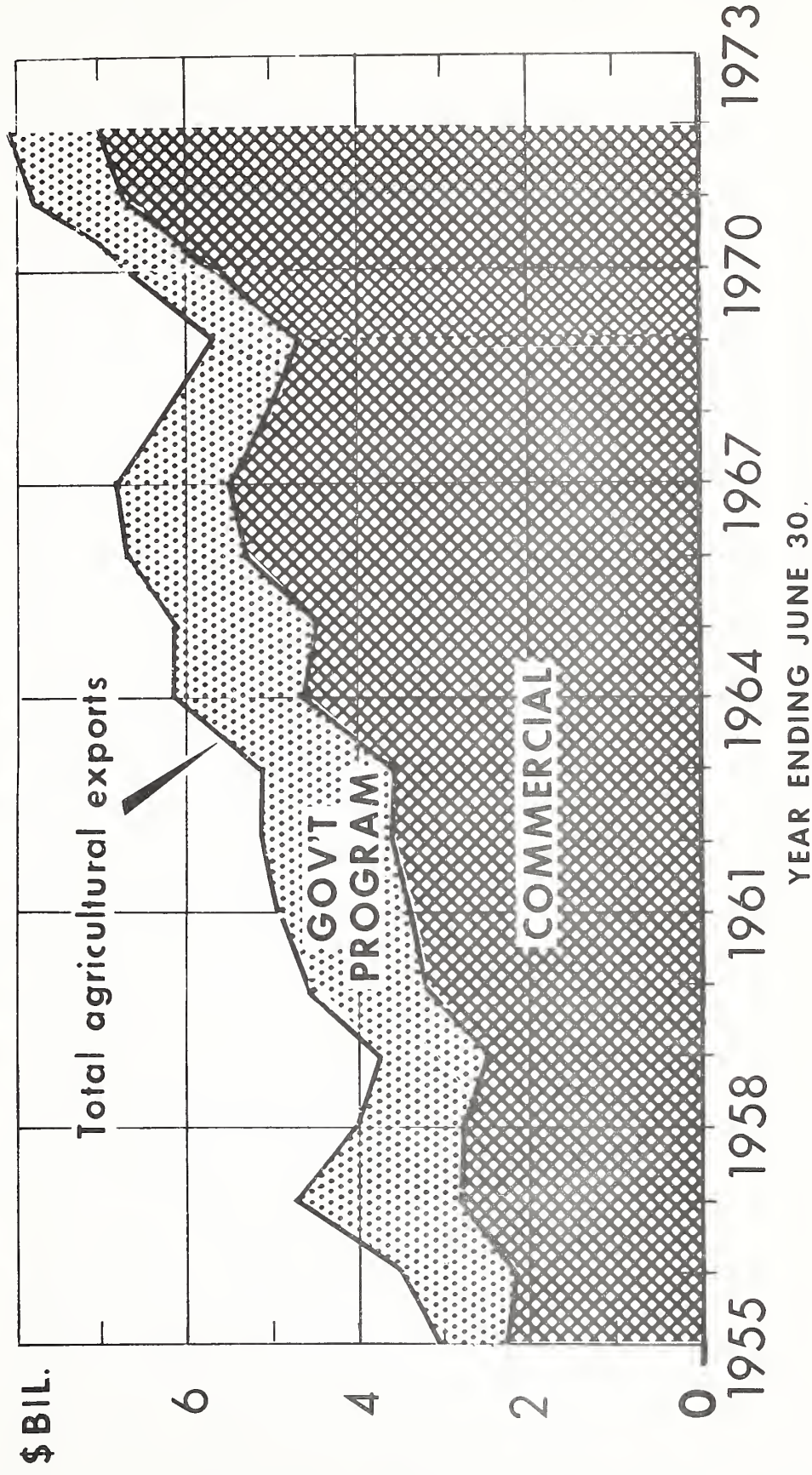
# AGRICULTURE'S CONTRIBUTION TO THE BALANCE OF PAYMENTS



\*SUM OF DOLLAR RETURNS FROM COMMERCIAL EXPORTS, DOLLAR REPAYMENTS ON CREDITS, AND LOCAL CURRENCIES (ACQUIRED FROM THE SALE OF FARM PRODUCTS UNDER GOVERNMENT PROGRAMS) USED BY U.S. AGENCIES ABROAD IN LIEU OF DOLLARS.



# U.S. AGRICULTURAL EXPORTS: COMMERCIAL AND UNDER GOVERNMENT PROGRAMS







trade balance, the highest in five years, is vitally important to the Nation's balance of payments. The favorable balance of trade in farm products helped offset a large U.S. trade deficit in non-farm products. Imports of non-farm items ran \$7.1 billion higher than non-farm exports. The \$2.0 billion favorable balance in farm trade held the Nation's overall balance of trade to a \$5.1 billion deficit, the largest in history.

3. Commercial Sales Were 86 Percent of U.S. Agricultural Exports and Accounted for \$250 Million of the Gain From a Year Earlier. All commodity groups registered gains in dollar sales with the exception of rice and wheat and flour. The largest gains were in oilseeds and products, dairy products, and cotton. Gains for these groups not only equaled the overall commercial export gains but also helped to offset the losses for rice and wheat. Exports under P.L. 480 amounted to \$1,122 million, slightly more than in 1970/71 but the same percentage of the total tallied last year. The continued shift toward the goal of dollar financing brought shipments in exchange for local currency to \$145 million from \$204 million and long-term credits to a near-record of \$530 million. Donations under Title II increased \$100 million. There was little change in shipments of tobacco, cotton, tallow, and soybean oil under P.L. 480. On the other hand, program shipments of feed grains were up about 12 percent in value. More wheat but less cotton moved under P.L. 480, but the value of sales of wheat and cotton under barter contracts for overseas procurement and the CCC credit sales program were reversed with cotton sales up and wheat shipments down from a year earlier. Considerably more corn-soya-milk and wheat-soya-blend moved under Government-financed programs, but dairy products were down somewhat.

Exports to all world areas except Central America, Australia, and Oceania were higher in 1971/72. Exports to Europe amounted to \$3.31 billion in 1971/72, compared with \$3.14 billion a year earlier. All of the \$171 million rise was in commercial exports. Most of the gain in shipments to Europe was in grains and oilseeds and products. Shipments to Asia increased \$69 million despite a decline to Japan, who took more than \$1 billion worth of U.S. farm products for the third consecutive year.

4. After Adjustments for Transshipments, Exports of U.S. Farm Products to the EC Declined 2 Percent to \$1.84 Billion During Fiscal 1972 (Chart No. 3). Reductions for variable-levy wheat and feed grains, accounted for the drop. U.S. exports of feed grains and wheat fell following increases in EC grains production. But nonvariable-levy products continued to move up since the start of the EC's Common Agricultural Policy (CAP) in 1962. This is particularly true of oilseeds and products.

Before the CAP, U.S. exports to EC of products later designated for variable levies averaged about \$340 million a year. After the CAP went into effect, shipments of variable-levy items declined the first year, then showed temporary gains during a three-year transitional period before declining again sharply from 1966/67 through 1969/70. After unusual demand in 1970/71 temporarily reversed the downward trend in wheat and feed grains, these fell sharply in 1971/72.

U.S. feed grain exports to the EC peaked at \$537 million (10 million metric tons) in 1965/66. From that record level, they fell steadily to \$247 million (4.7 million tons) in 1969/70. Wheat exports have fluctuated widely, ranging from \$188 million in 1956/57 to a low of \$35 million in 1964/65. From \$102 million in 1965/66, they declined steadily to \$47 million 4 years later. A temporary rise to \$82 million in 1970/71 followed a 2-million-ton drop in EC's wheat harvest. But after adjusting for transshipments feed grain exports fell to \$300 million in 1971/72 from \$367 million a year earlier.

U.S. rice exports, at \$14 million, were down sharply from \$32 million in 1969/70 as Latin America and Asia took larger shares of the EC market.

Since the start of the CAP, the stimulation of high prices and the protection of the variable levies have trebled EC poultry production, dropping U. S. poultry exports from \$65 million in 1961/62 to less than \$12 million in 1971/72.

Higher import prices due to the variable levies have shifted EC's consumption of pork, lard, and dairy products toward domestic production, bringing a downward trend in U.S. exports of these items. Meanwhile, the EC has increased beef imports from other third countries.

Nonvariable-levy exports -- These U.S. exports to the EC have generally shown an upward trend since the inception of the CAP, but their composition has shifted significantly. A steep decline in cotton shipments since 1956/57 has been more than offset by rapid advances in soybeans and products, tobacco, variety meats, and nuts.

The brightest spot on the U.S.-EC farm trade picture has been the growth in exports of soybeans and products to a record \$789 million in 1971/72. The EC is the top foreign market for U.S. soybean meal. Despite the large expansion of oilseed crushing capacity in the EC, U.S. exports of oilcake and meal rose to a record \$256 million (2.6 million tons) in 1970/71 from \$253 million (2.6 million tons) a year earlier and \$32 million (500,000 tons) in 1961/62.

U.S. tobacco exports decreased 4 percent to \$163 million, reflecting shipping disturbances in U.S. ports, competition from other suppliers, and changes in EC tobacco policy.

In 1971/72, cotton exports advanced for the second time in 5 years to total \$52 million, up from \$35 million the previous year, and \$18 million 2 years earlier. U.S. vegetables have found a small but expanding market in the EC, totaling \$25 million, up from \$20 million a year earlier.

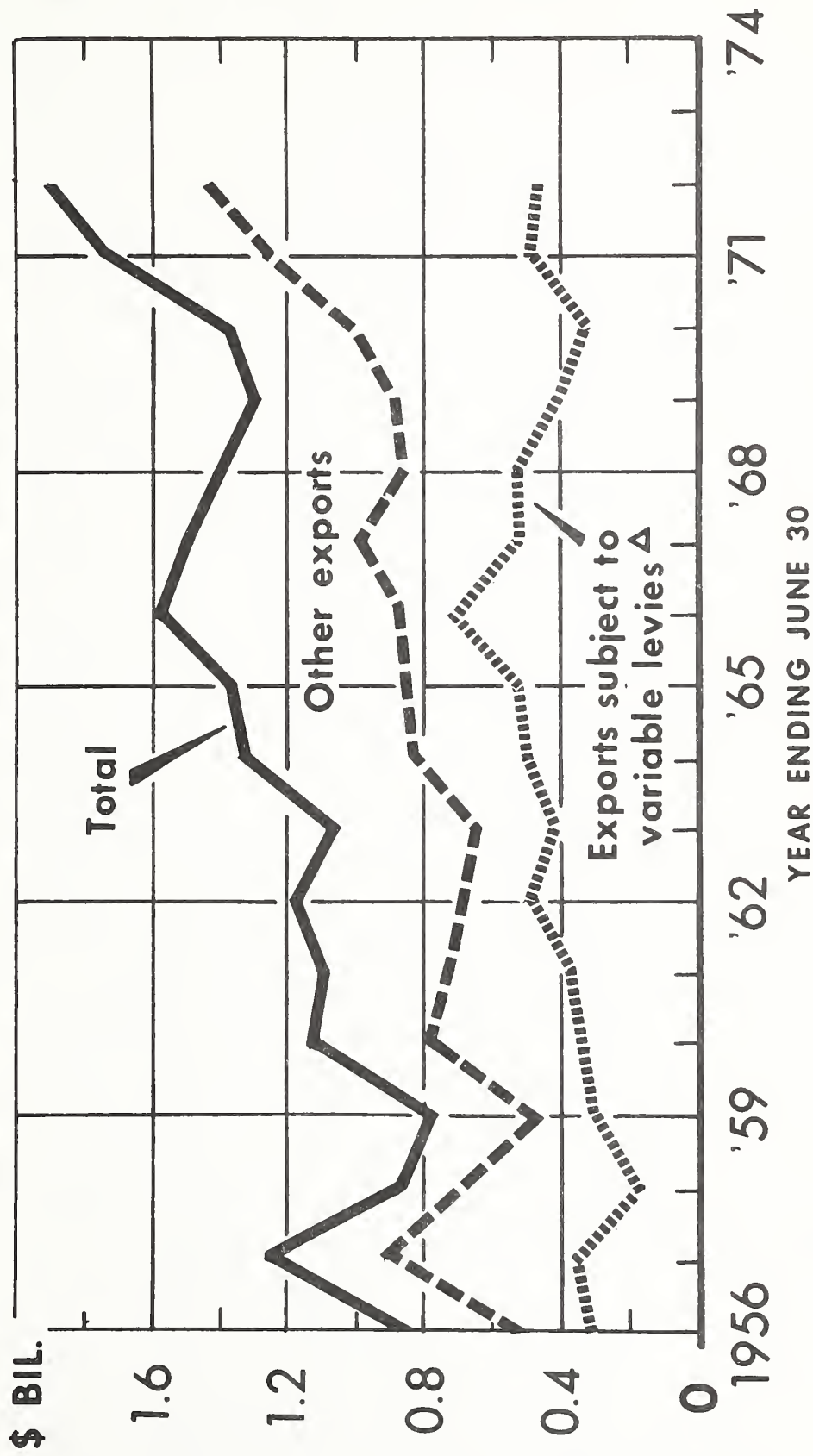
Record exports of nuts and preparations (\$32 million) plus slight gains in shipments of fresh and dried fruits failed to offset declines in canned fruit exports, bringing a slight decrease in total fruit and nut exports.

U.S. exports of hides and skins rose to \$42 million from \$34 million a year earlier, reflecting higher prices, lower stocks in Europe, reduced supplies available from other major exporters, and expanding EC export prospects for leather goods. Meanwhile, lower prices associated with increased world production for fats and oils led to a drop in U.S. exports of inedible tallow to the EC to \$30 million from \$33 million a year ago. Variety meat exports jumped to \$54 million from \$47 million a year earlier.

5. Export Market Benefits Many U.S. Farmers. In fiscal year 1972, U.S. farm exports were equivalent to 15 percent of 1971 cash receipts from farm marketings. About 65 million acres of U.S. cropland were used in producing the farm products exported. One out of every five harvested acres in the United States produced for the export market. In fiscal year 1972, people in other countries bought two-thirds of the U.S. production of dried peas, more than three-fifths of the rice, more than half of the soybeans and dry whole milk, about two-fifths of the cattle hides, hops, tallow, wheat and wheat products, and raisins, and about a third of the tobacco, cotton, prunes and almonds. They also took a fourth of the nonfat dry milk, lemons, and limes. In terms of dollars, U.S. exports of several other farm commodities are highly significant although the percentage exported is relatively small because of the huge volume produced in this country. For example the 661 million bushels of U.S. corn exported in fiscal year 1972 were worth \$908 million--one-ninth of total farm exports--but they represented only 12 percent of the 5.5 billion-bushel U.S. harvest in 1971.



# U.S. AGRICULTURAL EXPORTS TO THE EUROPEAN COMMUNITY



Δ INCLUDES GRAINS, MEATS, POULTRY, AND DAIRY PRODUCTS, EXCEPT THOSE BOUND IN GATT.





U. S. Agricultural Exports in Fiscal Year 1972,  
Compared with 1971 Production

Commodity	Unit	Production	Exports	Percent of Production
		1971/72	1971/72	Exported
		Million	Million	
		Units	Units	Percent
Dry edible peas .....	Cwt.	4.9	3.2	65
Rice, rough .....	Cwt.	84.3	52.0	62
Soybeans <sup>2/</sup> .....	Bu.	1,169.4	608.6	52
Wheat <sup>3/</sup> .....	Bu.	1,639.5	631.9	39
Cattle hides .....	No.	35.9	15.6	44
Tallow .....	Lb.	5,752.0	2,321.2	40
Raisins .....	Lb.	382.0	146.0	38
Cotton .....	Bale	10.5	3.3	32
Tobacco, farm sales weight ...	Lb.	1,751.3	631.4	36
Hops .....	Lb.	49.7	21.0	42
Nonfat dry milk .....	Lb.	1,417.6	356.7	25
Almonds .....	Lb.	264.0	78.1	30
Lemons and limes .....	Lb.	1,320.6	321.3	24
Sorghum grains .....	Bu.	895.3	103.5	12
Dried prunes .....	Lb.	262.0	79.2	30
Dry edible beans .....	Cwt.	16.2	2.8	17
Lard .....	Lb.	1,967.0	184.1	9
Barley, grain .....	Bu.	462.5	48.1	10
Dry whole milk .....	Lb.	72.2	36.5	51
Corn, grain .....	Bu.	5,540.3	661.2	12
Flaxseed .....	Bu.	18.7	1.9	10
Variety meats .....	Lb.	2,545.0	266.0	10
Rye, grain .....	Bu.	50.9	1.8	3

<sup>1/</sup> Preliminary

<sup>2/</sup> Includes bean equivalent of soybean products exported.

<sup>3/</sup> Includes grain equivalent of wheat products exported.

6. U.S. Agricultural Exports to Japan Valued at \$1,163 Million in Fiscal Year 1972 Were \$52 Million Less than Last Year's Record Level. Japan has been our best national customer for agricultural exports since 1964. Even further expansion of our exports to Japan is possible because rising incomes in Japan are stimulating increased demand for livestock products, fruits, cigarettes, and other products while we can either supply directly or for which we can supply the necessary inputs such as feed grains, cotton, and tobacco. There are 12 commodities which accounted for 90 percent of the total value of our agricultural exports to Japan in fiscal year 1972. These are soybeans, wheat, corn, raw cotton, unmanufactured tobacco, sorghum grain, whole cattle hides, tallow, pork, fresh grapefruit, fresh lemons, and alfalfa meal. Japan's remaining quantitative restrictions on imports have impeded the growth of other U.S. exports to Japan; in particular, peanuts, beef, and fresh oranges.

7. Agricultural Imports Gained 4 Percent in Fiscal Year 1972. The value of U.S. agricultural imports rose to \$6,041 million compared with \$5,828 million the previous year. Since commercial farm exports increased faster than agricultural imports, the net contribution by agriculture to the Nation's balance of payments was \$865 million.

Supplementary (competitive) imports of agricultural products were \$3.95 billion, or 7 percent above the 1970/71 level. Price increases averaged 4 percent, and accounted for over half of the gain. Import prices were higher for feeder cattle, beef, cheese, casein, sugar, wool, and some fruits and vegetables.

Most of the supplementary farm imports increase occurred in cattle, beef, vegetables, sugar, wine, and tobacco.

Complementary (noncompetitive) imports totaled \$2.1 billion and showed little overall value change from a year earlier. Volume was 7 percent higher but prices were lower for some leading items. Coffee prices fell 9 percent, reducing value 4 percent. Cocoa and rubber prices dropped further from 1970/71 highs, resulting in value declines.

#### INTERNATIONAL TRADE

1. U.S. Actions in GATT. Certain trade issues with the European Community have not been resolved satisfactorily through bilateral negotiations and the U.S. has had to refer these matters to GATT. In July 1972, for example, the U.S. invoked the GATT complaint procedure with respect to EC compensatory taxes on imports (totaling over \$40 million) from the U.S. which exceeded GATT-bound rates. The compensatory taxes were imposed by the EC on intra- and extra-Community trade beginning in the spring of 1971 to offset changes resulting from the appreciation of their currencies in relation to the currency values used to calculate import levies from common units of account and to keep prices paid in national currencies for agricultural produce in line with prices set in terms of the unit of account. It was only as a result of U.S. protests, culminating in GATT Article XXIII procedures, that the EC eliminated the compensatory taxes on some \$39 million of U.S. exports. The EC has promised to remove as soon as possible the compensatory taxes on a remaining \$1.8 million of U.S. exports. This U.S. effort is in line with arguments made during trade talks, before and after the Smithsonian Agreement of December 1971, that agricultural trade should benefit from any changes of exchange rates.

The U.S. also sought to solve certain longstanding bilateral problems within the GATT framework preparatory to multilateral negotiations in 1973. In September 1972, the U.S. informed a GATT Council session of its intention to take retaliatory measures against the French Government if the latter did not meet our request for a timetable to phase out some remaining quantitative restrictions on agricultural imports. The restrictions, originally imposed for balance of payments reasons, were declared illegal by GATT in 1962. In the interim years the U.S. used the GATT decision to persuade the French to liberalize almost 30 items. Restrictions remain on five commodities in which the U.S. has a trade interest, and negotiations are now underway to obtain their removal.

The U.S. has also initiated GATT procedures for similar action against the United Kingdom. The U.K. maintains dollar area quotas on certain agricultural products, principally fresh and processed grapefruit and single strength orange juice, which are of trade interest to the U.S. This action within the GATT framework is still being discussed.

The U.S. has also pursued GATT examination of preferential trading arrangements that erode the MFN principle. For example, in the GATT examination of the Arusha Agreement, which provides two-way preferences between the EC and three East African countries, the U.S. asserted that the arrangements did not meet the criteria of a free trade area and did not have reason to expect it ever would become one.

During the past year, the GATT Agriculture Committee met twice and held four Working Group meetings on techniques and modalities for the 1973 negotiations. The Working Group compiled a comprehensive list of possible techniques for negotiating on agriculture, with the advantages and disadvantages of each technique. The U.S. sought to use this as a forum for laying the groundwork for multilateral negotiations.

Divergent views not unexpectedly emerged during the discussions. The U.S. stressed market access and agricultural policies which would permit a larger role for world market forces.



2. Multilateral Consultations on World Trade and Agriculture. Although the U.S. agricultural trade balance is in surplus, with FY 1973 exports expected to reach \$10 billion, the U.S. continues to be concerned about the trends in the international trade sphere. There is a growing tendency toward trading blocs that has been accelerated by the expanding preferential arrangements of the European Community, not only with the former dependencies of the EC member states, but also in the Mediterranean. The EC free trade agreements with the EFTA countries increase these special trading arrangements. In addition, the Community's system of preference for its own agriculture reduces import requirements and has lowered U.S. sales of agricultural produce subject to the variable import levy.

With virtually all our industrial trade with Western Europe facing a discriminatory trading bloc, coupled with these concerns for our agricultural trade, the U.S. has taken the initiative in calling for a new round of multilateral trade negotiations. The other major trading countries agreed to the need to discuss trade matters further at the time of the Smithsonian Agreement in December 1971. In February 1972 the U.S. and the EC in a joint declaration agreed to prepare for and to begin such negotiations in 1973. Japan also joined the U.S. in a statement calling for multilateral negotiations. Several other countries later associated themselves with the declaration within the GATT framework. The 28th Session of the GATT Contracting Parties meeting in Geneva in November 1972 also called for preparations looking to multilateral negotiations to begin in 1973.

Key elements in the developments leading towards a new round of multilateral negotiations were: The undertaking to initiate and actively support comprehensive multilateral negotiations in the GATT framework beginning in 1973, subject to such national authorization as might be required; and agreement that progress during 1972 in solving specific trade problems will facilitate the initiative for 1973 negotiations.

The U.S. position has been that, if the U.S. is to participate in reciprocal negotiations on industrial products, there must be meaningful negotiations on agricultural products. It is understood that nontariff barriers will also be included in the negotiations.

The Organization for Economic Cooperation and Development is another forum for consultation on international trade matters. Policy makers in the agricultural ministries of OECD member countries have met regularly in recent years to consider problems of agricultural production and trade. In addition, a small, high-level trade group established at U.S. initiative prepared a report on trade and related problems which arise in a longer-term perspective. The report, issued in August of 1972, agreed on some general statements on agricultural problems; but differences--which reflected the policies of the U.S. and European countries--were not fully reconciled.

3. Bilateral Trade Consultations with the European Community. Representatives of the U.S. and the Commission of the European Communities met on several occasions in different forums during 1972. The high level semi-annual consultations, which were initiated in 1970, took place at Brussels in April and Washington in October. The April meeting, following on the heels of the December-February trade talks, dealt with broader policy questions rather than individual trade issues. These included status of EC negotiations with EFTA nonapplicant countries, and the relationship of monetary and trade matters. In the October talks the U.S. emphasized a number of key trade issues relating to Community enlargement, the CAP, and the EC's preferential arrangements. We urged the EC to take action on certain pressing agricultural trade issues to improve the climate for agricultural negotiations, such as reducing import levies on grains, calling a halt to expanding preferential arrangements with Mediterranean countries, not approving new restrictions proposed for fruits and vegetables, and modifying a new draft CAP on agricultural alcohol.

The U.S. and the EC in February concluded two months of intensive negotiations by agreeing to certain short-term adjustments of trade problems. These talks followed the Smithsonian monetary agreement on new exchange rates when the EC and

other countries committed themselves to discuss U.S. trade grievances. The EC agreed to stockpile surplus wheat, to reduce for a two-year period the CXT from 8 to 5 percent on oranges imported between June and September, to lower the CXT on grapefruit from 6 to 4 percent, and to treat all nations fairly in harmonizing taxes on manufactured tobacco with this problem to be reviewed more fully with the U.S. at an "appropriate time." The EC also promised to submit the enlargement treaty after ratification to GATT as required by GATT Article XXIV. Finally, the U.S. and the EC signed a joint declaration for a comprehensive review of international trade in GATT.

4. Bilateral Trade Consultations with Japan. U.S. and Japanese officials held their eighth annual Ministerial meeting in September 1971 to discuss economic and trade matters, such as the removal of quotas and the lowering of certain tariffs.

Trade talks were again held with Japanese officials in the winter of 1971/72 concerning liberalization actions Japan could take to increase imports from the United States and thereby reduce the trade imbalance between the two countries. As a result, Japan on April 1, 1972 eliminated certain tariffs (most notably soybeans and inedible tallow), reduced others (turkey rolls and roasts and vegetable oils, for example), and increased quota allocations for fresh oranges, orange and grapefruit juices, and beef for hotel use.

Trade talks were again held with Japanese officials in Hakone in July 1972 covering such topics as quota removal and tariff reductions. In early September President Nixon and Japanese Prime Minister Tanaka met in Hawaii to discuss U.S.-Japanese trade problems, among other topics. As a result of these conferences, Japanese officials agreed to purchase more U.S. grain in Japanese Fiscal Year 1972 (April 1972-March 1973) and stated that total imports of agricultural, fishery, and forestry products would increase by \$390 million in JFY 1972.

5. Enlargement Negotiations with the European Community. Accession of Denmark, Ireland, and the United Kingdom to the EC poses serious potential problems for the United States. The GATT provides for examination of free trade areas and customs unions and for relief to countries adversely affected.

In March 1972, the GATT, largely at U.S. prodding, formed a Working Party to examine the EC enlargement treaty under Article XXIV:5:a. This Article provides that the duties and other regulations of commerce imposed at the institution of a customs union, such as that being created with the enlargement of the Community, may not be higher or more restrictive than the general incidence of the duties and regulations of commerce applicable in the constituent territories prior to formation of the union. In the case of the enlarged EC, this means looking at the existing duties and regulations of commerce in the new member countries and comparing them with those they will adopt after entry into the EC.

This Working Party has met several times. An important difference in view has developed between the EC and certain other members of the Working Party, including the United States, on the question of whether the EC's variable levy system for certain agricultural products should be considered a duty or other regulation of commerce. The U.S. has sought a full examination, including variable levies, to establish the inequities we believe exist. Progress of the Working Party has been slow, mainly due to the EC's reluctance to make available the necessary data and to agree to an examination of its variable levies.

It is expected that negotiations will begin early in 1973 in GATT under paragraph 6 of Article XXIV, which provides the avenue for adjustment of trading rights of non-member countries affected by the new customs union. This adjustment pertains to all commodities for which duty rates have been bound by an applicant country in GATT. The U.S. will seek relief through compensatory adjustments in those cases where there will be duty increases on items bound by the three new member countries. Many of these items relate to agricultural trade. In the U.S. view, a satisfactory settlement in these negotiations would serve as an indication from our trading partners that movement on agriculture is possible in comprehensive, multilateral trade talks.



6. East-West Trade. Efforts to improve relations with Communist countries have resulted in increased agricultural exports. Such exports have also been aided by efforts of most of these Communist countries to upgrade diets and by weather-reduced output in several other countries, particularly the USSR.

In June 1971 the requirement was eliminated for a 50 percent use of U.S. flag vessels in exporting grain to Eastern Europe, including the USSR. A continuing review of U.S. export controls resulted in removal of the last remaining restriction on farm exports to Eastern Europe in August 1972. Visits by the President and followup discussions and negotiations have resulted in Joint Commissions with both the USSR and Poland to facilitate increased trade between the United States and these countries, a trade agreement with the USSR, and the removal of restrictions applied to trade with the People's Republic of China (PRC).

With improved trade relations, the USSR purchased approximately \$150 million worth of U.S. grain in November 1971, the first significant purchase of U.S. farm products by Russia in the post-World War II period, except for 65 million bushels of wheat in 1963-64. A three-year grains agreement under which the USSR agreed to purchase \$750 million of U.S. grains was concluded in July. However, USSR purchases of U.S. farm commodities have exceeded amounts covered in these agreements; and such purchases are expected to reach about \$1.2 billion for FY 1973, compared to about \$150 million last year. Most of this increase will be in wheat, which may total around \$660 million. Feedgrain exports may total about \$400 million and soybeans \$135 million.

The PRC has also purchased U.S. farm commodities in FY 1973 since trade has been resumed. Initial purchases were mainly wheat. Recent sales of linseed oil and corn may bring exports to the PRC to about \$50 million for FY 1973.

Farm exports are also expected to increase to Poland and other countries of Eastern Europe as trade relations continue to improve. Wheat, feedgrains, and soybeans and soybean meal are expected to be the main exports to these countries.

7. Dairy Import Controls Extended. On June 3, 1972, the President acted on the Tariff Commission report of its investigation which concluded that increased imports of certain cheeses--exempt from quota restrictions by reason of being priced at 47 cents or more per pound, f.o.b. country of origin--were interfering with the Department's dairy price support program. As a result Proclamation 4138 issued June 3, 1972 provided for an increase in the price break from the fixed 47 cents figure below which cheese imports were subject to import quotas to a higher, flexible amount determined by the price at which CCC offers to purchase Cheddar cheese (rounded to the highest full cent if the price is fractional) plus seven cents. At this time the price break works out to 62 cents per pound.

The Proclamation made imports of these cheeses subject to import quotas on a first come, first served basis for the remainder of 1972. Effective January 1, 1973 these quotas were combined with the previously existing quotas covering cheeses priced below 47 cents per pound. The specific cheese classifications and the new combined annual quotas are as follows: Swiss or Emmenthaler cheese with eye formation, 20,420,000 pounds; Bruyere-Process cheese, 11,242,000 pounds; and "Other" cheese, not specially provided for by name in the Tariff Schedules, 40,730,000 pounds.

The effect of this action has been to bring under control a situation in which rapidly increasing nonquota cheese imports were interfering with the price support program for milk, and to establish the controls on a flexible basis which will maintain effective controls under changing conditions.

8. Examples of Liberalization During Fiscal Year 1972. Canada removed its temporary surtax on fresh strawberries in July 1971 and on frozen strawberries the following month. As compensation for imposition of the surtax, the Canadian government suspended the import duty on cranberries for six months (September 1971 - March 1972).

Italy abolished special administration and statistical fees on all imports--equivalent to tariff reductions of slightly over one-half percent.

Venezuela reclassified bulgar wheat which virtually eliminated the prohibitive import duty.

New Zealand removed brown rot quarantine restrictions from imports of U.S. apples and pears. In addition, licensing restrictions were lifted for fresh apples, pears, citrus fruit, grapes, pineapple, figs, cottonseed and castorseed for oil, hop cones, lupulin, forage products and certain animal fats and oils.

The EC reduced the duty from 15 to 5 percent on fresh oranges during the June-September period, valid for the 1972 and 1973 seasons. In addition, the duty on grapefruit was lowered from six to four percent until December 31, 1973.

United Kingdom relaxed import restrictions on butter and milk products containing less than 50 percent butterfat, which permitted imports from the United States. Also removed quotas on frozen grapefruit concentrate and significantly increased the quotas for single strength orange and grapefruit juices, and cigars.

Japan liberalized 14 agricultural items on October 1, 1971 and an additional 4 items on April 1, 1972.

Spain maintained temporary import duty suspensions for most of FY 1972 for nonfat dry milk, soybeans, certain seeds and hides and skins.

Chile suspended import duties on soybean oil for the period July-December 1971.

Greece extended through December 1972 the duty free status for feed concentrates. Authorized importation of parboiled rice.

Brazil lowered its "additional" import duties on "superfluous" goods (items of interest to the U.S. are cheeses, prepared vegetables and prepared cereals) effective January 1, 1972 through December 31, 1974.

Switzerland reduced the supplementary import charge on oil cakes and meals.

Israel reduced tariffs on rice and canned vegetables.

Yugoslavia abolished customs duty on butter, crude and refined soybean oil, oilseed cake and meal, and reduced its import surtax on specified agricultural items from 6 to 2 percent.

9. Actual or Anticipated Fiscal Year 1973 Liberalization. Sweden eliminated the licensing requirements for Western Hemisphere origins on pork, poultry meat, pork and poultry offals, poultry liver, canned pork and poultry, eggs and egg yolks, processed milk and cream and starches.

Taiwan reduced tariffs on beef, lamb, butter, cheese, powdered milk, margarine, prepared edible oils, oilseed cake and meat and certain feedstuffs.

Korea reduced the tariff on soybeans.

Philippine Central Bank has authorized imports of up to 25 percent of the 1968 entries of oranges, lemons, apples, grapes, pears, almonds, chestnuts, walnuts, prunes, sausage, hams, butter, cheese, cereal foods, pastas, and a number of other food preparations. This move partially rescinds a February 1970 Central Bank ruling against allocation of foreign exchange for importation of such "non essential" items.

Ecuador reduced the amount of the prior deposit and the period of time it is held on items which account for 80 percent of the total value of imports.



Japan announced in a new program to increase imports and limit export growth in an attempt to forestall another revaluation of the yen. In order to encourage imports, Japan proposes among other things further liberalization of quota items, a 30 percent increase in quotas, and a 20 percent cut in tariffs for most manufactured items and certain processed agricultural goods.

The U.S. Embassy in Tokyo informs us that the quota increase will probably take effect the second half of Japan's fiscal year (JFY) 1972 (October 1972 through March 1973). The tariff decreases took effect on November 22, 1972.

Unfortunately, almost all agricultural products are exempt from the tariff cuts--although the bulk items such as soybeans, grains, cotton, and tobacco are already imported duty free. Processed agricultural products to be included in the tariff cuts will affect about \$20 million of U.S. exports in 1971. Principle items included are essential oils, fatty acids, canned fruit (except pineapple), canned vegetables, jams and jellies, sauces and seasonings, canned and dried soups, and wines.

Items under quota for which we have been pressing Japan to liberalize and which would presumably be covered by the 30 percent increase in quotas are fresh oranges, citrus (except lemon) and other juices, edible peanuts and dried peas and beans. The fresh orange quota for JFY 1972 is 12,000 MT (valued at about \$2.5 million) while the citrus juice quota (orange and grapefruit juices) is 4,000 MT single strength (valued at about \$850 thousand). However, some quota items may also be exempted from the 30 percent increase, but these, if any, are not yet known.

10. Dissemination of Information. Emphasis continues to be placed upon the broad, rapid dissemination of information on trade negotiations and policy developments. Farmers, traders, and other groups have increasing needs for such information due to many developments in this area and the rapid growth of U.S. trade in farm commodities.

During FY 1973, the publication of trade barrier (NTB) studies has continued. The series began during FY 1972 with publications on Japan and Sweden. Studies published in the current fiscal year during the 6-month period July-December 1972 covered Canada, Norway, Denmark, Spain, Ireland, the United Kingdom and the European Community. This latter publication contained information not only on the EC as a whole, but also covered national policies of the member states. During the last six months of FY 1973 circulars are schedule for publication on Switzerland, Australia and Mexico, along with supplements to update the information contained in the studies previously issued. The countries covered in the nontariff trade barrier series have accounted for approximately two-thirds of total value of U.S. agricultural exports in recent years.

In October 1972 a special issue of the Foreign Agriculture magazine was published which dealt exclusively with the enlargement of the European Community and the influence this will have on U.S. farm shipments. Additionally, numerous articles have appeared in the magazine dealing with such subjects as East-West trade, trade policies of the developing countries, and trade negotiations. Coverage was also devoted to details of the grain sales with the USSR and Mainland China.

Speeches and presentations to groups ranging from national farm organizations to universities include information on trade policies of foreign countries which affect U.S. farm exports. Additionally, material is developed on a continuing basis for other U.S. Government agencies and Congressional briefings and hearings.

#### AGRICULTURAL ATTACHES

1. Attache Efforts Spark French Imports of U.S. Hogs. A shipment of 161 purebred Hampshire hogs from Illinois and Iowa arrived in France in July 1972. The arrival was the culmination of efforts by the Agricultural Attache working with both French and American groups interested in the project. It was made possible as a result of negotiations between the Attache Office and the French Veterinary Services in

cooperation with USDA Animal Plant and Health Inspection Service on the wording to be used in health certificates accompanying shipments of purebred swine from the United States. Agreement was reached on the wording, thereby making possible the import which has already taken place as well as laying the groundwork for further imports of U.S. purebred swine.

2. Greece Imports First Shipment of U.S. Almonds. Although Greece is practically self-sufficient in almonds some quantities are imported when spring frost damage reduces the domestic crop. Italy is usually the supplier of such imports. For several years the Agricultural Attache office has been working to convince the trade to import at least a trial shipment from the U.S. This year, for the first time, our efforts were successful. The trade was quite satisfied with the results. It is hoped that this satisfaction will lead to the development of a new important market for U.S. almonds.

3. Citrus Exports to Europe. The Foreign Agricultural Service long has been working to liberalize the treatment accorded U.S. commodities entering the Common Market countries. Since France is a major factor in decisions of the Council of Ministers in Brussels on Common Market Agriculture generally, including the question of tariff preferences for imports of French oranges, the Attache Office, in cooperation with the Embassy's Minister for Economic Affairs and the Ambassador, made numerous representations to the French Government officials on the importance of according Most Favored Nation treatment to imports of citrus into the Common Market. These representations were a factor in the agreement reached during the short-term trade negotiations in Brussels between the United States and the European Economic Commission.

4. Swiss Import U.S. Beef. The Attache Office in 1972 successfully obtained a 300 ton special import quota for American Beef which served to broaden the opportunity to market U.S. beef in Switzerland. The major effort undertaken was to create interest on the part of the hotel and restaurant trade. The first major activity in this direction was a special beef promotion with Switzerland's largest restaurant chain (40 restaurants). The promotion covered a two-week period during which activities included newspaper advertising, special American beef menus, placards, table mats, etc.

5. Special "American Corners" are Established in a Major Swiss Retail Chain for Marketing Testing of New U.S. Food Products. Through the efforts of the Agricultural Attache, arrangements have been made with Switzerland's largest retail food chain to set up special "American Corners" in 40 of the largest stores in the Migros chain for marketing testing new U.S. food products. Products are to be offered for sale in the special areas for a two-month period. Consumer interest will be attracted through advertisements in newspapers and demonstrations. Following the test period those products which appear to have an appeal to the Swiss consumer will be stocked in all 500 Migros retail stores. Migros accounts for 25 percent of the retail food turnover in Switzerland. During 1971 sales in all stores amounted to Swiss Francs 3,783 million or approximately \$983 million.

6. U.S. Cattle Popular in Spain. The United States participated as usual in the biennial Feria del Campo with an exhibit of U.S. beef and dairy cattle. Some sixty-eight head of cattle, all pre-sold, were imported especially for the Feria. Included among others in this superb group of animals was a \$16,000 and a \$12,000 Hereford bull sold to the Banco del Noroeste, and a \$8,000 Holstein cow sold to the Sanchez Gomez group at Burgos. The shipment also included Polled Hereford as well as Angus cattle.

A beef animal exhibit featuring crossbred cattle from the native Bravo, Galician and Retinto breeds, with American Hereford, Angus and Santa Gertrudis sires, stole the show at the Feria. This exhibit, put on in cooperation with the U.S. Feed Grains Council, attracted interest of professional cattlemen and layment alike.

7. Identity-Preserved Corn Sale to Norway. On several occasions over the past few years, the Norwegian Grain Corporation has voiced concern about the bad arrival



condition of U.S. corn. In an effort to improve this situation, we approached their buyers with the idea of taking a trial shipment of identity-preserved corn for which the U.S. shipper would actually guarantee the arrival condition. The DeKalb County Exports, Inc. agreed to deliver this premium quality corn to Norway at a price differential slightly over the cost of U.S. No. III corn.

After several negotiations, the Norwegian Grain Corporation agreed to take a 3,500 metric ton trial shipment. The Grain Corporation said the corn would be used primarily in feeding trials to evaluate the premium. The shipment will arrive in Stavanger, Norway, in late December or January. The purchase was a real breakthrough as it was the first sale of identity-preserved corn to be used for feeding purposes. This sale is a good example of what can be accomplished with effective teamwork in market development activities, and it could lead to more effective methods of delivering the type and quality of corn that is in demand in each market.

8. Danes Rescind Order on Substituting Denatured Wheat for Imported Corn. The U.S. has traditionally had a market for \$10 to \$15 million worth of corn annually in Denmark. We have been waging a two-year battle with the Danes to keep this market open. In the latest action in November 1971, the Danish Ministry of Agriculture authorized the denaturing of 40,000 MT of wheat for use in poultry rations. The denaturing subsidy was enough to make the denatured wheat cost slightly less than corn in rations. In order to collect the denaturing subsidy, however, the user was required to declare that the denatured wheat had been used in poultry rations to replace imported corn.

We immediately protested to the Danish authorities about this arbitrary requirement that the subsidized wheat be directly substituted for imported corn in poultry rations. In response to our prompt protest (along with earlier actions we had taken), the Danish authorities notified us that they would rescind the stipulation that the denatured wheat had to replace corn in poultry rations in order to qualify for the subsidy. Compounders were then free to use the wheat in general feed processing. This prompt action protected the market for U.S. corn, and U.S. corn sales reached an all-time high of 242,700 MT in the 1971/72 crop year in spite of the record Danish grain crop harvested.

9. Market for U.S. Turkey Opened in Denmark. U.S. cooked turkey rolls, thighs and breast roasts were introduced to the Danish market in 1971/72 under the cooperator MD program with excellent consumer acceptance. Due to the fact that Denmark maintains quantitative restrictions on such imports at the present time, sales were limited. However, following representations made by the Attache to the licensing authorities, supplementary quotas were issued to the importers in question and utilized in full. With Denmark's entry into the Common Market as of January 1973, these quantitative restrictions cannot be maintained and increased importer interest that has been developed in U.S. turkey items makes the prospects look bright for the future.

10. Representation on Proposed Fruit and Vegetable CAP Influenced Danish Position. Danish horticultural producers, pleased at the brighter prospects offered them under the Communities' recently proposed CAP for fruits and vegetables, requested the Danish Ministry of Agriculture to accept the proposals as presented. However, after the Attache had outlined to the Danish authorities the U.S. objections to many features of the new proposal, particularly the effects on imports from third countries, and the preferences granted to Mediterranean countries, it was noted that the Minister of Agriculture in his formal acceptance of the proposal in Brussels recommended strongly that the provisions affecting third countries be subjected to further study and consideration.

11. CACL Activities Show Results. During 1971/72, the United States became for the first time the largest supplier of lemons to the Danish market; much of this success can be attributed to cooperator activities carried out at the retail sales level under the market development project with the California-Arizona Citrus League.

12. Prompt Action on Part of Argentina-based Agricultural Attache Helped Prevent Loss of Important Alfalfa Seed Market. Government of Argentina, during late 1971, seriously considered prohibiting imports of alfalfa seed from countries which did not treat their seed for bacterial wilt. The Agricultural Attache was instrumental in getting FAS to dispatch a highly qualified scientist to Argentina to argue the U.S. case.

As a result of the presentation made to the GOA officials by the U.S. scientist, the alfalfa seed market valued at more than \$500,000 was not lost. In fact, this effective and prompt action may well have prevented the loss of other U.S. seed exports valued at about \$1.5 million.

13. U.S. Attache in Brazil Instrumental in \$500,000 Sale to That Country. As a result of a visit to the United States by senior officials of the Brazilian Ministry of Agriculture, arranged for by the U.S. Agricultural Attache, orders for about \$500,000 worth of agricultural machinery were placed. In addition, the sale of 146 head of breeding swine and 2 top Angus bulls, valued at \$14,800, were also made during the visit.

14. U.S. Exports of Beef Breeding Cattle to Costa Rica Establishes New Record for FY 1972. Through the combined efforts of the Agricultural Attache, U.S. beef breed associations, and private exporters, sales of U.S. beef breeding cattle were valued at a record \$1.8 million. This level is \$1.4 million higher than the average annual sales during the 1969-71 period.

15. Prompt Action by Attache in Guatemala Resulted in a Cotton Sale to a Cotton Exporting Country. Due to a commercial shortage of cotton in the Guatemalan market, the Agricultural Attache arranged for the sale of 6,000 bales of U.S. cotton to a local firm. This commercial transaction, achieved by way of CCC facilities, was based on an import permit obtained from the Ministry of Economy in cooperation with the Attache.

16. Lebanon Imports of U.S. Tallow Increases. In 1969 Lebanon was importing ghee substitutes amounting to 5,000 tons per year from Holland. No U.S. tallow was being imported into Lebanon. One processor, Neema Emad of Huileries et Savonneries Naif Emad S.A.L. Beirut, was producing some ghee substitutes and margarine on a small scale. With the help of the Agricultural Attache Emad was able to contact the right people to secure a \$250,000 FCIA loan and purchased over 2,000 tons of U.S. tallow for the first time last year. This year 3,000 tons of U.S. tallow have been imported thus far, and he says 1972 will see 6,000 tons of U.S. tallow coming into Lebanon.

17. Republic of South Africa. Market Development activities for rice continued, with the highest year's shipment of rice from the U.S. to South Africa so far recorded, which amounted to 896,122 short tons. This is a record, or near record, for U.S. rice sales in any fiscal year to any country, on a non-concessionary basis. It amounted to 93% of rice imports to South Africa.

A Fats-in-Feed Workshop was held during the year at which NRA officials and technicians met the leading feed manufacturers and Government officials involved in the livestock industry. Considerable interest was developed in the utilization of animal fats in feeds.

18. U.S. Exports of Bread and Feed Grains and Rice to Iran Continue to Increase. Iran used to be an exporter of rice but more recently has become a major importer. In the past three years Iran imported most of its rice from the Far East.



However, more recently through market promotion work, the rice consumers of Iran have been convinced that only U.S. can supply rice of the variety most acceptable to their taste. Large quantities of rice were airlifted and distributed to several Army units in order to find out whether U.S. rice meets consumers preference. As a result of such rice market promotion work U.S. exporters were able to control a large share of the rice market in Iran.

19. Cattle Imports Becoming Important. Market promotion work conducted during the past two years is paying dividends now. Currently letters of credit for the purchase of 534 head have been established and the shipments of dairy cattle will be made soon. It is estimated that about 10,000 head of U.S. cattle will be shipped to Iran during the next 4 years.

20. Manufacture of U.S. Cigarettes in Iran. Since 1967 discussions concerning the imports of U.S. manufactured cigarettes resulted in the establishment of a tobacco factory which will start January 1973 to manufacture "Winston" cigarettes. Already during 1971-72, 50,353,500 American type cigarettes have been imported by Iranian Tobacco Company. The imports during 1972-73 will be larger. As soon as the factory is completed U.S. raw tobacco will be imported for the manufacture of "Winston" cigarettes.

21. Soybean Meal Imports Increased. During the FY 1972 about 15,000 metric tons of soybean meal was imported and during the current FY 1973 it is estimated that about 20,000 metric tons will be imported. The increased imports during FY 1973 is due to large imports of feeds for the expanded poultry industry.

In order to promote marketing of soybean meal several conferences were held with feed manufacturers and poultry growers emphasizing the importance of balanced rations for poultry feeding and the role of soybean meal in the preparation of the rations. Published as well as mimeographed material was distributed among the feed manufacturers and poultry growers emphasizing the importance of soybean meal.

22. Morocco. U.S. agricultural commodity sales to Morocco remained at very favorable levels in FY 1972 from both standpoints of quality and share of the market. Total sales exceeded \$50 million for the second successive year; the bulk of which were cash sales or sales under USDA administered programs, i.e. CCC credit and Public Law 480, Title I.

U.S. wheat sales to Morocco reached 455,000 metric tons valued at nearly \$27 million f.o.b. at FY 1972 price levels. Sales of U.S. soybean oil totaled 54,000 tons valued at approximately \$15 million, and U.S. cotton sales were around 35,000 bales, or \$4.1 million. Other U.S. sales included tobacco, dried milk, and tallow.

The United States supplied 83 percent of Morocco's FY 1972 commercial wheat import requirements, more than 50 percent of vegetable oil requirements and more than two-thirds of total cotton import needs.

23. U.S. Cotton Exports to Philippines Set Record in FY 1972. Philippine imports of U.S. cotton in FY 72 reached a record \$21 million during a period of continued credit and import restrictions, and the dock strike in the U.S. This record was made possible by the availability of credit under CCC and PL 480 as well as to successful cotton promotion activities. The Agricultural Attache played a vital role in establishing the CCC credit lines in addition to working with the organizations promoting cotton. Without the credit and promotion programs, it is estimated that U.S. cotton sales would have been 30% lower during FY 72.

24. First Shipment of U.S. Beef Breeding Animals Made to West Malaysia. Through the efforts of the Agricultural Attache in Kuala Lumpur, the Government of Malaysia's Veterinary Division, Agricultural College and Malaysian Agricultural and Research Institute decided to bring a plane load of U.S. breeding animals to West Malaysia during FY 72. While the value of the imported animals amounted to only about \$200,000, future annual sales could be ten times that amount.

25. Agricultural Attache in Malaysia Successful in Getting Trade Barrier Lowered. Exports of U.S. turkeys to Malaysia have been banned since 1962. Recently, however, after prolonged and repeated efforts by the Agricultural Attache, the Government of Malaysia's Veterinary Division decided to permit the U.S. product to enter the country. The Malaysian market is small and total sales are not expected to exceed 40 tons annually; however, U.S. poultry exporters now at least have access to a market that earlier was denied them.

26. U.S. Sales of Feed Grains to Taiwan Increase. The Attache, along with the Feed Grain Cooperator, has been working for some time with the Taiwan feed industry in an attempt to sell more U.S. products. The industry has responded to the U.S. programs by purchasing U.S. corn, often in the face of Chinese Government pressure to buy Thai corn. As a result of the U.S. effort, we are for the first time participating in the commercial feed grain market in a substantial way. U.S. exports of corn to Taiwan during Jan.-June 1972 amounted to 155,000 metric tons, compared to only 26,000 tons in the first half of 1971.

27. U.S. Almond Sales to Japan Doubled. When the Agricultural Attache signed the first FAS almond export incentive program in December 1969, Japan's purchases of U.S. almonds were averaging \$4.4 million a year. During FY 1972 U.S. almond sales to Japan totaled \$11.3 million, having more than doubled after only two years of FAS/cooperator export incentive promotion.

28. U.S. Food Promotions in Japan Reach Buyers and Boost Sales. An American Food Festival sponsored in Tokyo in April 1972 resulted in off-the-floor sales of over \$200,000 and projected 12-month sales of \$3.5 million of U.S. produced agricultural products. Forty-one companies from 17 states participated and more than 3,000 Japanese businessmen attended. In addition, point-of-purchase promotions held in 29 department stores and supermarkets in 20 cities throughout Japan resulted in increasing sales of \$1.5 million and a substantial increase in the number of U.S. source food products handled by the participating stores. The advertising and publicity generated by these promotions reached an estimated 6 million Japanese consumers.

29. U.S. Peanut Sales to Japan Tripled. Although Japan continues to maintain quantitative restrictions on the importation of peanuts, the Agricultural Attache Office's close working relationship with peanut importers in recent years culminated this fiscal year in a substantial increase in Japanese imports of U.S. peanuts. During FY 1972, the U.S. share of the Japanese peanut market reached 28.2 percent. In past years, the U.S. share of the market has varied between 9 and 12 percent. In FY 1972, Japan imported 17,603 MT of U.S. peanuts, valued at \$6,627,984 (C.I.F.). This was a 343 percent increase over the 5,119 MT of U.S. peanuts, valued at \$2,096,113 (C.I.F.) imported during FY 1971.

30. Feeder Calf Imports Initiated in Japan. Following extensive negotiation by the Agricultural Attache, the Government of Japan announced that up to 5,000 feeder calves of less than 300 kilograms in weight could be imported duty free during the current Japan fiscal year (April 1, 1972 to March 31, 1973). Due to high prices and a limited supply, Japanese importers may not purchase all of the 5,000 calves permitted. However, to date, 150 head have been imported, all from the U.S., and an additional 165 head of U.S. calves have been ordered for December delivery.



31. Japan's Beef Import Quota Expanded. After extensive negotiation, the Government of Japan expanded the import quota for beef by more than 50 percent. At the same time, and of special significance to U.S. suppliers, was an increase in the special beef quota for hotel and restaurant use. This portion of the quota was doubled to 1,000 MT. A majority of the beef imported from the U.S. is used by the hotel and restaurant trade.

#### MARKET DEVELOPMENT

Market development activities during the year were concentrated on four major broad approaches in an effort to more effectively utilize the resources available and to allow greater tie-ins between activities. These four approaches are:

1. Increasing Buyer/Seller Contact. A prime requisite for developing international sales, increased trade contact is the result of greater efforts of both cooperators and FAS.

a. Team Visit to U.S. Results in Sale. In June 1972 the U.S. Feed Grains Council brought a team of Japanese to the United States to study beef feeding in California. Following the team's return to Japan, two participants purchased 2,400 metric tons of U.S. alfalfa hay cubes valued at \$187,000.

b. Reopening of Italian Market to U.S. Holsteins. 1972 saw a turnaround to larger exports of U.S. dairy breeding cattle to Italy. This was motivated by the shortage of dairy products in that country and growing recognition that the United States has no peer when it comes to milk-producing capability of its Holstein dairy cattle.

Giving visual impact to this fact was the exhibit of 15 of our top-quality cattle at the Cremona International Dairy Show in September. Part of a shipment of 80 head worth \$320,000, these cattle were a feature attraction. Italian dairymen contracted for another 1,000 animals valued at \$1 million.

c. Buyer/Seller Referral System. The Trade Opportunity Referral Service (TORS) was started to develop and activate contacts between foreign buyers and U.S. suppliers of U.S. food and other agricultural products. Computerized lists of 1,900 suppliers in 44 states have been developed by State Departments of Agriculture and comparable lists of 6,500 buyers in 50 countries have been obtained under contract. Over 50 percent of the domestic and foreign listings were developed during the past year.

A primary use of the TORS has been in sending foreign trade inquiries to U.S. companies handling the product requested. Since October 1971, about 1,000 trade inquiries have been processed and distributed to the U.S. trade, either by direct mailings or through a weekly trade letter to the appropriate U.S. suppliers.

During the past year the trade has reported sales totaling \$4.8 million as a result of contacts through the trade referral service. The sales covered a wide range of products including soybeans, wheat, corn, poultry, livestock, fruits and vegetables. Additional sales are known to be developing and other have undoubtedly been completed but not reported by the U.S. trade.

2. Stimulating Interest of Groups New to Exporting. FAS has adopted a stronger posture toward encouraging others into export business.

a. New Regional Effort. With the help of FAS the Pacific Northwest International Trade Council, made up of Oregon, Washington, Idaho, and Montana, has been formed to more effectively promote exports from the Pacific Northwest. The Council is taking leadership in organizing trade relations for the U.S. Food Exhibit, an FAS-sponsored promotional event scheduled for the U.S. Trade Center, Tokyo.

b. Expanded Regional Effort. FAS encouragement has prompted AIM to expand membership to seven Eastern states, from the original four. AIM works with FAS to develop U.S. exports primarily in the Caribbean.

c. New Cooperator for Potato Products. Following an FAS-sponsored field study to determine market opportunities, an organization of Northwestern state groups has been formed to promote processed potato products in Japan and other Far Eastern countries.

d. Cooperator for Processed Food. Additionally, FAS is working to get the International Food Manufacturers Association, a domestic organization, to participate in the export market by acting as our cooperator for processed food.

3. Testing of New Activities. In our continuing effort to help the U.S. agribusiness complex take advantage of opportunities, we have initiated new types of activities in new locations.

a. Promotion Tied to U.S. Cotton. Cotton Council International is currently carrying out a pilot project in France and Japan designed to test the feasibility of increasing U.S. cotton sales to these two important markets by two approaches: (1) by supporting joint advertising with local firms of 100 percent cotton goods which contain more than 50 percent U.S. cotton specifically and (2) by providing the local spinning mills the services of a U.S. Cotton Spinning Technologist to assist the mills with any problems they might encounter in spinning U.S. cotton. Preliminary indications are that the program in Japan (where activities were initiated first) has been well received.

b. Beef Feedlot Demonstration. In October 1971 the USFGC in cooperation with Deehan Livestock and Feed Company launched a pilot beef cattle feeding trial to demonstrate to the livestock and feed industry the economic feasibility of finishing cattle on high grain rations in the East Asian Area. Two-hundred and sixty-four calves were airshipped from the U.S. to Korea for use in the feeding trial. The calves were fed for 10 to 12 months with an average daily gain of about three pounds and feed conversion of near 7:1. As a result several private firms are planning feedlots which will soon be in operation.

c. Improving Transportation System. In an effort to prove feasibility of profitable shipments of fresh produce from the West Coast and Florida to Northern Europe, FAS is working with U.S. shippers to streamline use of unit trains within an intermodal transportation system. Early indications suggest great potential for the system, but coordination at key points must be improved.

4. Creating New Market Opportunities. As in the past, FAS and cooperators continue to open new marketing avenues by working to change regulations as well as developing new products.

a. Grapefruit in Japan. U.S. exports of fresh grapefruit soared from less than \$15 million in FY 71 to almost \$34 million in FY 72. This growth was spurred by dramatic increases in sales to Japan following liberalization of imports of June 30, 1971. Sales to that market increased in value from \$800,000 to over \$18 million. The outlook for FY 1973 sales of U.S. grapefruit to Japan is very bright and could reach an estimated level of \$30 million. Since Japan



liberalized, FAS has been promoting grapefruit sales to Japan in cooperation with U.S. industry through five separate Export Incentive agreements and one generic promotion program.

b. Soybeans in West Germany. In FY 1972 American Soybean Association conducted swine feeding trials in Germany in cooperation with the University Giessen with the purpose of demonstrating that soybean meal could be used efficiently and effectively as a replacement for fish meal in piglet feed rations. The German Government regulations posed the greatest problem in achieving this goal since they set a 7 percent minimum requirement for fish meal in piglet starter rations. The activity successfully proved three main points in favor of soybean meal: (1) During the fattening period, soybean meal-fed pigs had a significantly better growth rate than the fish meal-fed pigs, (2) Proof that elimination of fish meal during the entire fattening period is practicable, (3) Carcass quality was improved with the soybean meal-fed group due to better meat to fat ratio. As a result, the German Government agreed to reduce the remaining requirements for fish meal and other animal protein feeds in suckling piglets from 15 percent to zero and piglet starter from 7 percent to zero.

c. U.S. Poultry Products. During the past several months new markets for U.S. poultry meat products have been opened in Denmark, New Zealand and Malaysia as a result of efforts of FAS and the Poultry and Egg Institute of America. Traditionally, Denmark has refused to grant import licenses for U.S. cooked poultry products. However, the agricultural attache convinced the government to grant a license to a company for a trial shipment. The trial shipment was quickly sold with the help of promotion carried out by PEIA and the buyer has applied for a license to reorder. In New Zealand a series of FAS efforts have convinced the government to allow cooked poultry meat into the New Zealand market. Malaysia now permits importation of uncooked U.S. turkey products following a similar move by the U.K. Entry into the above markets will allow U.S. poultry producers an opportunity to increase exports significantly provided market development efforts are fully utilized.

#### COMMODITY PROGRAMS

1. Study of World Rice Trade Patterns and Trends. Recognizing the continuing importance of the export market to U.S. rice producers, a detailed analytical report of world rice markets and competing suppliers was completed and disseminated to the public. Changes in supply-demand situations for individual importing and exporting countries were analyzed, as well as changes in the overall level of trade and in source and destination patterns. The study includes analysis of price developments in recent years for rice moving in international trade.

2. Analysis of Currency Adjustments Affecting Common Market Grain Price Levels. Following the important currency adjustments which occurred in world money markets during late 1971 and early 1972, there were important resulting changes in the grain price levels and import levies, particularly in European markets. In order to assist producers and trade groups in understanding and analyzing the effects of these changes, a special report was published in March 1972, showing the details of the adjustments as related to grain in the common market. The analysis contrasted the recent currency adjustments with those of earlier years and emphasized the increased protection being provided for some European grain producers and the overall increase in incidence of import levies against U.S. grain exports to the Common Market.

3. Analysis of Significance of Soviet Grain Imports in 1972/73. Due to the general lack of previously available published information on the Soviet supply situation on grain, and due to the enormous impact of the large Soviet purchases of U.S. grain in early 1972/73, special emphasis was attached throughout the year to the analysis of Soviet grain situation and to the improvement of general understanding about trends and possible future developments. A special report was published in September 1972, reviewing the Soviet purchases, and commenting upon the likelihood of further Soviet grain imports in coming years. Additional emphasis was also

placed upon publishing news of current developments in Soviet grain situation during the course of the season.

4. Report on Outlook for Argentine Corn and Sorghum. Since Argentina is normally the principal competitor for U.S. corn and sorghum in the world market, and since crop outturn and export supply are considerably significant to the level of the U.S. domestic grain price, a special survey of the Argentine situation was conducted in early 1972. A special report was published in March 1972, which attempted to forecast the prospects for competition from Argentine corn and sorghum for the ensuing 12 months. This report was released even before the final Argentine crop outturn was established, but served to provide both producers and exporters with a useful advanced indication of the magnitude of likely competition from Argentina.

5. New Program Undertaken for Periodic Examination and Publication of Current Estimates for World Production, Trade, and U.S. Exports of Grain. Because of increases in the significance of export markets to the efficient marketing of grain by U.S. producers, a new series of reports were developed to help producers and producer-oriented market news media keep more abreast of continuing changes in overseas supply-demand condition for grain. These reports highlight significant overseas developments in recent weeks and provide summarized statistics of world production and trade for both wheat and feed grain for current season. The concept of these periodic reports is that the development of each season's trade situation in grain is a dynamic, continually changing picture, and that updated estimates can be useful to farmers' marketing decisions in much the same way as domestic U.S. crop estimates, which are periodically revised and made public during the course of each crop season by the USDA Statistical Reporting Service.

6. Development of New Information and Reporting Systems on Feed Utilization Patterns in Western Europe. Due to the significance of substitute feeds being used in place of grain for animal feeding in the market of Western Europe, especially because of operation of import levy systems, efforts were initiated to develop continuing reports from the field on the pattern of grain utilization within the feed-livestock economy of Western Europe. This system will be used to help improve forecasts of import demands, to help understand the patterns of growth and change in the use of grains and feed, and to help in guiding the selection and development of market promotion programs for U.S. feed grains in Western Europe.

7. Survey Comparing U.S. Cotton Quality with Cotton Grown in Other Countries Just Completed. Work has been completed on a technical publication which provides data indicating how U.S. cotton compares in various quality characteristics with cotton grown in other countries with which U.S. cotton competes in world markets. Approximately 450 samples of cotton were carefully selected in both import markets and by Agricultural Attaches in exporting markets so as to be representative of major qualities of important competitive growths. The samples were then subjected to comprehensive fiber and spinning tests at the Clemson Laboratory of AMS in order to provide the same test data already available on U.S. cotton. Results of the tests have now been analyzed, prepared for publication, and sent to the printer. This publication will provide more precise information on the quality of the world's cottons than has heretofore been available.

American shippers have expressed a need for reliable information on the quality of foreign growths for use as a sales tool in selling U.S. cotton in world markets. The most recent similar survey was on the basis of samples collected in 1965 but since then there have been major changes in the availability and quality of cotton grown in various countries.

8. Cotton Trade Teams Visit Eastern Europe, Western Europe and the Far East to Stimulate Exports. Three teams of U.S. cotton industry and government specialists visited five Far Eastern, six West European, and five East European cotton importing countries during November and December 1972. Meetings were held with cotton importers, millers, and other interests in each of the three regions.



Countries visited by the Far East team included Japan, Korea, Taiwan, Hong Kong, and Thailand. The West Europe team visited England, France, Belgium, Italy, Switzerland and West Germany. The team to Eastern Europe went to Poland, Czechoslovakia, Hungary, Romania and Yugoslavia.

The teams reported that U.S. cotton is benefitting from increased foreign demand, competitive pricing, and the larger U.S. crop being harvested in the 1972-73 season. Sales prospects have increased in both the Far East and Western Europe, and long-term prospects in Eastern Europe are encouraging for U.S. cotton traders, contingent upon satisfactory resolution of certain U.S.-East European trade questions.

According to the reports made by the teams, the 1972-73 marketing year should show marked improvement in sales of U.S. cotton for export over last season, which was characterized by short supplies and rising prices.

The teams explained details of the U.S. cotton situation, particularly the outlook for the current season, and answered questions relating to quality, prices, supply, financing, shipping, and several U.S. export programs, promotion, research and cotton policy.

9. Overseas Cotton Spinner Representatives Examine U.S. Operations on Tour of the Cotton Belt. Executives of 20 East and West European and North African textile companies and buying groups visited 10 cities in six states during a 2-week tour of U.S. cotton areas and facilities in late October and early November 1972. The program was sponsored by FAS, the National Cotton Council of America, and Cotton Council International. Representing 13 countries, the cotton spinner representatives observed seed breeding, harvesting, ginning, compressing, and merchandising operations in Tennessee, Mississippi, Texas, New Mexico, Arizona and California. They were briefed on a wide variety of topics relating to U.S. cotton and also briefed U.S. cotton interests on the problems and opportunities for U.S. cotton in their respective countries.

The program resulted in bringing about a better understanding of and appreciation for U.S. cotton in the minds of the foreign visitors as well as a better understanding of the technical needs of the foreign spinners when buying cotton. Some sales were also consummated during the tour.

10. Soviet Cotton Production Studied. The USDA sent a delegation in September to study cotton production in Russia, a country which in 3 recent years led the world in cotton output. The team studied the factors associated with the expansion of output from some 7 million bales when the last USDA team was there in 1958 to over 11 million bales in the current season. Cotton production in the Soviet Union is expanding despite severe problems. Its major cotton zones--all irrigated--lie further north than producing areas of other countries, thereby forcing them to stress early maturity in their cotton breeding work. Verticillium wilt is a second major problem. Soviet research stations claim considerable success in developing wilt resistant varieties but while these varieties have a high yield on infested soils they yield less than the major Upland variety 108-F on wilt free soils. The Soviet Union also stresses cotton--alfalfa rotation in dealing with the wilt problem but cotton occupies such a high percentage of the irrigated land that any major expansion of alfalfa would displace some cotton. Soil salinity, another major problem, is being dealt with by improved drainage, leaching, and better water management. The gains in cotton production would have been less had it not been for a high government priority on cotton production and willingness of the government to provide sufficient resources, incentives, and leadership.

Also credit is due the farm workers who devote the effort needed to fulfill or exceed the production plan. The team detected no weakening in this national commitment to expand cotton production and expects that cotton acreage and production will continue to trend upward over the next several years.

11. Other Competition Studies. During fiscal year 1973 cotton competition studies were conducted in Mexico, Pakistan, and Iran and a study is projected for certain African countries in the spring of 1973. In Mexico farmers expanded acreage in 1972 and were hoping for higher production and high prices. Instead, yields and production fell below 1971 levels and prices were below expectations. This will probably have a depressing effect on acreage in 1973. Record crops are expected in both Iran and Pakistan from higher acreage. Also yields are at near record levels in each country. Yield is expected to continue the uptrend of the past few years with acreage fluctuating around current levels depending upon prices and weather conditions. Prices this season will likely depress acreage in Iran but have little effect on Pakistan's acreage.

12. Market Development for Citrus and Citrus Products. We continue to change our market development program strategy from generic promotion by trade associations to brand promotion by firms or groups of firms; and from simple cost sharing to assistance based on export sales performance. The Florida Department of Citrus project has been brand oriented since the beginning of the third party project. But the FAS contribution was based on a share of promotion cost regardless of sales performance. Beginning with FY 1973, the FAS contribution was keyed to sales performance. The contribution even diminishes with each year of third party participation. And if a third party fails to achieve his sales target by a substantial margin, he is no longer eligible for the project. Texas grapefruit handlers sought a cooperator-type project in Europe. After discussions FAS and the Texas industry agreed in principle to a modified Export Incentive Program (EIP) that would link FAS promotion contribution to sales. A contract is expected to be signed in early January. EIP's for Texas, California and Arizona fresh grapefruit began in Japan in FY 1972. Florida was then using a generic promotion. In FY 1973 Florida too is on EIP and the FAS contribution will depend on the promotional effort and sales performance of contracting firms.

13. Export Incentive Program to Promote the Sales of Canned Corn Initiated. In many world markets, canned sweet corn is relatively unknown. However, sales are beginning to appear in certain countries and certain United States canners have begun distribution in selected markets. A survey revealed that there is a potential growth market for the product in such markets as Scandinavia, Germany and Japan.

A program was recently announced under which FAS will help introduce and promote US canned corn in the above countries. Firms may participate by meeting requirements that their labels prominently display the US origin of the product and by actually promoting sales under acceptable programs. FAS will refund 50 percent of actual expenditures on promotion or a calculated amount equal to the sum of two percent of total sales and five percent of increased sales over the previous year, whichever is the lower figure.

14. Japanese Potential for Horticultural Imports Examined. Japan employs a wide range of restrictive devices against imports of horticultural products. Where negotiations have succeeded in relaxing these restrictions, the growth in US sales has been rapid. US horticultural exports to Japan have shown uninterrupted growth from only \$4 million in 1960 to \$49 million in 1971. There will be a substantial increase in 1972. With liberalization, removal of nontariff barriers, and more reasonable import duties there should be a market for \$300 million to \$500 million a year of US horticultural products. Citrus alone could easily exceed \$150 million. Tree nuts should reach \$30 million to \$50 million in the near future. Frozen foods, melons and seasonal fresh vegetables could have large potential. Without further liberalization this rapid growth cannot possibly be achieved.

15. French and Yugoslav Prune Industries Studies. The US is by far the world's leading dried prune producer and exporter. However, France and Yugoslavia are important competitors on the West European market. French prune output has bounced back from the freeze suffered in 1970 and a record crop was harvested this fall. Production is expected to continue to climb as a result of recent plantings coming into bearing. Yugoslav dried prune crops vary sharply from year to year but are



on a long term upward trend. Large plantings in recent years are now bearing and the Yugoslav are now concerned with modernizing their processing and marketing sectors. A full report on the Yugoslav situation will be released early in 1973.

16. West German Packaging Regulations. Last December the German Consumer Packaging Ordinance was passed to become effective in stages in 1973 and 1974. The Ordinance appears very restrictive to imports from non metric countries, particularly the United States. In spite of vigorous consultations, a unit pricing requirement is expected to take effect January 1, 1973. German importers indicate reluctance to import canned food products in can sizes which are not exempted from the unit pricing rule. Sizes which are exempted include a list of "standard metric sizes" and a very limited list of "non standard" sizes which are traditionally important in trade. If the definitions of these "non standard" sizes are strictly adhered to, the bulk of U.S. canned food trade could be affected. The consultations did result in delaying until January 1973 the effective date for mandatory container size regulations for liquid foods and certain non food items. The United States exempts imported products from container size regulations. Consultations will be continued with Germany seeking full reciprocity.

17. U.S. Mint Oils in Europe. In July 1972 a study was published entitled, "U.S. Mint Oil in the European Market." This study analyzes and describes the export situation for U.S. mint oils in Europe, and includes a list of trade associations both in the United States and in Europe. The United States is an efficient producer of mint oil and has no rival in the world market for good quality oil in ample quantity. The study determines that there is a potential for expanding U.S. exports of mint oil to Europe.

A study entitled "Factors Affecting U.S. Coffee Consumption, 1954-69" was completed in December 1972. The study is an analytical evaluation of the potentially crucial trends and factors influencing U.S. consumption of regular and soluble coffee during the 1954-69 period. The analysis also attempts to evaluate the importance and influence of factors other than price and income, which may have affected declining coffee consumption levels in the past decade.

18. Impact of EC Enlargement on U.S. Tobacco Trade Studied. Enlargement of the European Community (EC) to include the United Kingdom, Ireland, and Denmark is expected to have a substantial impact on U.S. tobacco exports. The EC is the largest market area for U.S. tobacco and the expansion to include the United Kingdom and other countries will combine an area that purchases over one-half of total Free World tobacco. In recent years U.S. exports to the enlarged EC have accounted for 60 percent of all U.S. tobacco trade.

The policies for tobacco established within the EC will become applicable to the enlarged area and the United States may find it increasingly difficult to maintain its reasonable share of this market. Estimated leaf production in the combined areas of the enlarged EC and the associated territories (including the African Commonwealth countries) is about one billion pounds or more of duty preferenced tobacco.

Considering the availability of this tobacco, the future of U.S. tobacco trade will depend upon the extent of implementation of restrictive policies of the EC which would give preferences to these tobaccos.

A study was recently completed which provides an analysis of the outlook for U.S. tobacco exports to the United Kingdom, Ireland and Denmark after their entry into the EC. Maintaining access to the enlarged EC for U.S. tobacco is one of the major problems facing U.S. tobacco in the period ahead.

19. U.S. Exports of Tobacco Products Reach Record High Value. Tobacco product exports have been trending upward in both quantity and value. This trend continued during the year ending June 30, 1972. The value of all tobacco product exports, at \$232.7 million, was 15 percent above that for the previous fiscal year.

Cigarette exports, which account for about 81 percent of the value of all tobacco product exports, were up 13 percent in quantity and 15 percent in value from the previous comparable period.

Exports of smoking tobacco in bulk during FY 1972 were valued at a record \$38.6 million which represented a 16 percent increase above the previous fiscal year.

20. Exports of Poultry and Poultry Products Up 10 Percent During January-October 1972. U.S. exports of poultry products during January-October 1972 totaled \$69 million, 10 percent above the first 10 months of 1971. The increase in 1972 exports was mainly in poultry meat, up 15 percent, and eggs and egg products, up 21 percent, while shipments of live poultry, mainly breeder chicks, were down 4 percent for the 10-month period. Total U.S. exports of poultry and poultry products in calendar 1971 were valued at \$72 million.

Poultry meat exports, the bulk of which is frozen product, during January-October 1972, were valued at \$38 million. Exports to the EC were almost \$8 million. This included shipments to West Germany, which at \$6.3 million were up 13 percent, with turkey parts the biggest item. Exports to Italy (also in the EC) were \$1 million, practically all turkey meat, almost double corresponding 1971 shipments. Shipments to other major destinations, with corresponding values for 1971 in parenthesis, were as follows (in million dollars): Switzerland--\$3.4 (\$2.7); United Kingdom--\$1.8 (\$1); Hong Kong--\$4.1 (\$3.7); Japan--\$5.3 (\$4.6); and the Caribbean (including Bermuda)--\$12.0 (\$11.3).

21. Canadian Egg Marketing Agreement Watched by U.S. Agreement among almost all Canadian provinces and the Dominion Government to undertake an egg stabilization program, based on production quotas, makes the prospect of a unified Canadian National Egg Marketing Plan imminent. This would replace individual provincial controls, which created the 1970-71 Canadian egg (and poultry) "war".

The United States has expressed its concern on several occasions to Canadian officials that a supply-management type marketing board would interfere with traditional U.S./Canada cross-border trade in eggs. In response, Canada has offered assurances that they would uphold their international commitments including those under the General Agreement on Tariffs and Trade (GATT). The Canadian tariff on eggs in the shell at 3.5 cents per dozen is bound in the GATT. Hatching eggs, accounting for much of U.S. egg exports to Canada, will be excluded from marketing controls.

22. Poultry Competition Study. Our study of the Netherlands poultry industry, published in August 1972, indicates significantly lower production costs for both broilers and turkeys in the United States than in the Netherlands. But for the existence of protections, trade barriers, and subsidies, the study makes clear that the United States would enjoy a larger part of the existing international trade in poultry meat, and the Netherlands less.

Netherlands is presently the world's largest exporter of poultry meat. The United States' next largest competitor, among the western nations, is Denmark, and a similar study covering Denmark is planned for 1973.

23. Dried Egg to Japan. In January-October 1972, volume of dried egg exports as reported by Census rose from 647 thousand pounds to 2,119 thousand. An example of the detailed mechanics by which this increase was achieved can be observed in the case of that part of the rise which occurred in Japanese trade.

U.S.-Japanese trade in dried egg rose from 8 thousand pounds to 335 thousand in the period under consideration. The primary factor in the increase was a trip to Japan by a major U.S. manufacturer of egg products in response to an FAS-cooperator suggestion. On that trip, made when U.S. prices for the raw materials were especially low, he arranged to supply the largest Japanese producer of mayonnaise and related products. This is illustrative of the mechanics of market development.



24. Turkey in Hong Kong. A detailed example of the process by which market development for American poultry products is carried out can be seen in the story of turkey in Hong Kong. In January-October 1971, Hong Kong's turkey imports from the United States were \$67 thousand; in the same period of 1972, it was \$277 thousand.

In the interim, a joint promotion agreement was made with a Hong Kong firm, K. C. Leong Co., a newly-formed organization with the sole objective of importing U.S. turkey products and promoting them in the Hong Kong market. This firm's associations include a parent company that processes oriental specialty items for export as well as for local use. One of its popular frozen delicacies--schumai--is expected now to include 30 percent turkey. Because turkey lends itself so readily to de-boning and slicing or shredding it has a promising future in the Orient.

25. Turkey Products to New Markets. Since the U.K. dropped its absolute ban on the import of uncooked poultry meat in 1971, U.S. turkey parts and products have enjoyed an increasing market there. A shipment of cooked turkey parts has also penetrated the Danish market, after receipt of import license which was previously denied. Further, the procedures have been cleared for making a shipment to New Zealand also, and there is an increasing interest in Hong Kong.

This variety of new markets has been instrumental in raising value of January-October exports of U.S. turkeys and parts by 40 percent in 1972 as compared with 1971, to a total over \$10 million. Additional turkey product exports are thrown in an "other" category, which also rose substantially by 38 percent.

These increases are accomplished with the help of a cooperator, Poultry and Egg Institute of America, which undertakes substantial promotion and market development activities.

26. Livestock, Meat and Meat Products Set New Record in FY 1972. Exports of animals and animal products reached \$736 million for the first time. This new record was achieved primarily by increases for hides and skins, though meats--particularly beef and pork--also gained.

Exports of hides and skins gained in value by over one-fourth from those of 1970-71. Foreign demand has been gaining slowly in recent years; but this year, supplies from other exporters were limited--particularly from Argentina, which reduced its cattle slaughter and used a larger portion of its hide production domestically.

Meat and meat product exports rose by about a fourth. Beef accounted for much of the difference, with sharp increases in exports of high-quality cuts to Canada and to tourist areas of the Caribbean, Asia, and Europe. Pork and variety meats also gained--pork, mostly in May and June, with Japan taking the increase. Although meat production around the world has been rising steadily in recent years, it has failed to meet the rise in world demand for rapid growth in income.

Exports of animal fats and oils fell by about 16 percent from those of 1970-71. Increased lard production and availability in Western Europe resulted in a substantial decline of U.S. exports to the United Kingdom, the most important market. Inedible tallow exports rose by about 100 million pounds to more than 3 billion; but value fell by about \$14 million because of lower prices.



(b) Salaries and Expenses (Special Foreign Currency Program)

NOTE: The Budget Estimates do not propose an appropriation for 1974. The amounts for 1973 and 1974 reflect the use of unobligated balances carried over from prior years.

PROJECT STATEMENT

	:	:	1973	:	Increase or:	1974
	:	1972	:	(Estimated):	Decrease :	(Estimated)
Market development projects (sec. 104 (b) (1)) obligations.....	:	\$ 768,251:	\$1,000,000:	--	:	\$1,000,000
Unobligated balance brought forward.....	:	-4,008,443:	-3,240,192:	+\$1,000,000:	:	-2,240,192
Recoveries of prior year obligations....	:	--	--	--	:	--
Unobligated balance carried forward.....	:	3,240,192:	2,240,192:	-1,000,000:	:	1,240,192
Total appropriation....	:	--	--	--	:	--

For a discussion of market development projects, including those financed from this appropriation, see the Status of Program under Foreign Agricultural Service.

Use of Special Foreign Currency Appropriation:

Country	:	1972 actual	:	1973 est.	:	1974 est.
India	:	\$648,024	:	\$ 650,000	:	\$ 700,000
Israel	:	17,467	:	50,000	:	--
Morocco	:	11,311	:	20,000	:	--
Pakistan	:	32,140	:	200,000	:	220,000
Poland	:	11,269	:	25,000	:	25,000
Portugal	:	14,011	:	--	:	--
UAR	:	2,036	:	5,000	:	5,000
Yugoslavia	:	31,993	:	50,000	:	50,000
Total	:	\$768,251	:	\$1,000,000	:	\$1,000,000





## EXPORT MARKETING SERVICE

### Purpose Statement

The Service was established on March 28, 1969, pursuant to the authority of 5 U.S.C. 301 and the Reorganization Plan No. 2 of 1953. The programs of the Service were formerly performed by the Foreign Agricultural Service and the Agricultural Stabilization and Conservation Service.

The major objective of the Service is to promote and assist in the expansion of export sales of U.S.-produced farm products. This is accomplished through a series of programs and activities described in the three major categories below, and through continuing cooperation with other U.S. Government agencies, foreign governments, export trade firms, banks, and ocean chartering agencies.

1. Commodity exports. - The Service administers programs to facilitate and expand the commercial export sales of privately owned and Commodity Credit Corporation (CCC) owned agricultural commodities, and develops related pricing policies and export payment rates for applicable commodities. The Service also carries out the domestic operations to implement the Wheat Trade Convention of the International Wheat Agreement. These programs are authorized by the CCC Charter Act, and the Agricultural Act of 1949, 1964, and 1970, as amended.

2. Public Law 480 program. - The Service conducts programs which facilitate the sale of agricultural commodities for dollars on a long-term credit basis. In addition, lesser quantities of these commodities are donated to foreign governments, intergovernmental and voluntary agencies and the World Food Programs in some 100 countries. These programs are authorized by Titles I and II of the Agricultural Trade Development and Assistance Act of 1954, as amended (Public Law 480).

3. Commercial Credit and Barter programs. - The Service conducts the CCC Export Credit Sales program under authority of the Corporation's charter authority and Section 4 of the Food for Peace Act (7 U.S.C. 1707a). This is a commercial program under which U.S. agricultural commodities from private stocks are financed for export up to a maximum credit period of three years. For all transactions there is required an irrevocable letter of credit from an acceptable foreign or U.S. bank assuring payment in dollars, with interest at rates comparable to private U.S. commercial rates. The Service also has the authority to conduct, under the CCC Charter Act, and the Agricultural Trade Development and Assistance Act of 1954, barter transactions which use agricultural exports to generate the funds to pay for goods and services which U.S. Government agencies would otherwise buy abroad with dollars. Exports are restricted to areas where they will help maintain or increase the U.S. share of markets, thereby benefiting the balance of payments. The agricultural commodities may be from private stocks or from those acquired by CCC in its price support operations and purchased by private exporters for unrestricted use.

Financing. - Funds for the operation of the Service are provided from the amounts available under the "Limitation on Administrative Expenses", CCC.

Organization. - The work of the Service is carried out by the Staff in Washington, D C. and a field representative in New York City.

Available funds and man-years  
1972 and Estimated for 1973 and 1974

Item	Actual 1972		Estimated Available, 1973		Budget Estimate for 1974	
	Amount	Man- years	Amount	Man- years	Amount	Man- years
Obligations under other USDA appropriations:						
Commodity exports .....	\$1,013,000	44	\$1,023,000	46	\$1,023,000	44
Public Law 480 .....	1,877,000	94	1,878,000	92	1,878,000	87
Commercial Credit and Barter Program .....	907,000	47	929,000	44	929,000	41
Total .....	3,797,000	185	3,830,000	182	3,830,000	172

EXPORT MARKETING SERVICE

Allotment from Commodity Credit Corporation

Available, 1973 .....	\$3,830,000
Allotment estimate, 1974 .....	<u>3,830,000</u>
	-0-
Adjustments in 1973:	
Allotment, 1973 .....	\$3,795,000
Transfer from CCC, due to increased exports .....	<u>+35,000</u>
Adjusted base for 1974 .....	<u>3,830,000</u>
	<u>-0-</u>

PROJECT STATEMENT  
(On basis of allotment)

Project	1972	1973 (estimated)	1974 (estimated)
Commodity exports .....	\$1,013,000	\$1,023,000	\$1,023,000
Public Law 480 .....	1,877,000	1,878,000	1,878,000
Commercial Credit and Barter Program .....	907,000	929,000	929,000
Total, allotment .....	<u>3,797,000</u>	<u>3,830,000<sup>a</sup></u>	<u>3,830,000</u>

<sup>a</sup> Of this amount, \$7,000 has been withheld from use in 1973 principally from funds budgeted for travel.

This agency is financed by an allotment of funds from the Commodity Credit Corporation since its functions relate entirely to carrying out programs and activities financed by the Corporation. The Export Marketing Service conducts the export sales programs of the Corporation and the results of its activities are included in the financial statements of CCC. The head of the agency, the Sales Manager, is also a Vice President of CCC.





## STATUS OF PROGRAM

The Export Marketing Service has primary program responsibilities for the Department's export activities. The financing of these programs is through the appropriation "Commodity Credit Corporation, Reimbursement for Net Realized Losses" and "Public Law 480". Additional details of these programs may be found under the CCC activity and the Foreign Assistance Programs and Special Export Program activities.

The administrative expenses of the agency are financed from an allotment of funds from the Commodity Credit Corporation, "Limitation on Administrative Expenses".

The following activities were carried out under the programs administered by EMS during fiscal year 1972.

## COMMODITY EXPORTS

Agricultural exports reached a record \$8 billion. Equally important, commercial sales for dollars made up 87 percent of the total. Two of the programs designed to increase commercial sales for dollars are the Export Payment Program and Sales from CCC-owned Stocks.

### Export Payments on Wheat and Rice

Export payments are made to U.S. exporters to enable them to be competitive with major exporting nations. In fiscal year 1972 export payments were made on most of the wheat exported and virtually all of the rice. The wheat payment rate averaged about 15 cents per bushel. Payments on wheat exports for the year totaled \$75.4 million and for wheat flour about \$5.6 million, making a total for wheat and products of \$81.0 million. The rice export payment averaged about \$1.81 per hundred-weight and totaled \$57.2 million. (All data includes payments for PL-480 exports as well as on commercial sales.)

### Sales for Export from CCC-owned Stocks

Sales of CCC-owned commodities for export are made when private stocks are inadequate to meet export requirements. On occasion, sales of these commodities are also made to foreign governments or to private relief organizations at special prices for school lunch and other charitable uses. In fiscal year 1972, the following commodities were sold from CCC-owned stocks: wheat, barley, grain sorghums, oats, rice, rye, butter, nonfat dried milk, and peanuts. Proceeds from such sales totaled \$210.6 million.

## PUBLIC LAW 480

The Public Law 480 program was extended through December 31, 1973, by the Agricultural Act of 1970. During fiscal year 1972, the transition from sales for local currency to sales for long-term credit repayable in dollars was completed.

Although fiscal year 1972 programs were limited by strict controls requiring continuous monitoring of program operations, transportation problems connected with rail and dock strikes contributed to net outlays being below budgeted amounts.

Shipments under Title I, totaling \$697 million were made up mainly of wheat, rice, feed grains, cotton, and vegetable oil. Ocean transportation costs financed amounted to \$73 million

The Title II program provided \$403 million worth of agricultural commodities during fiscal year 1972 for food aid under the following programs: (a) the U.S. Voluntary Agency Program - \$159 million; (b) Government-to-Government programs - \$197 million; and (c) the World Food Program - \$47 million.

Ocean transportation costs in connection with the Title II programs amounted to \$118 million.

#### COMMERCIAL CREDIT AND BARTER

##### CCC Export Credit Sales Program

In fiscal year 1972 the value of exports under the program totaled \$371.6 million compared with fiscal year 1971 exports of \$390.8 million. The program was particularly effective in expanding or maintaining commercial exports to Iran, Korea, Thailand, Morocco, and Greece. Fiscal year 1972 also saw continued extensive CCC credit financing of agricultural exports to communist countries of Eastern Europe - Poland, Romania, and Yugoslavia. The program was very important in reopening commercial markets in Peru.

##### Barter Program

Barter Program exports increased from \$870 million in fiscal year 1971 to \$876 million in fiscal year 1972. Of the 1972 exports about 29% represented cotton, 23% tobacco, and 15% wheat and wheat flour, with smaller percentages for vegetable oils, feed grains, inedible tallow and grease, and rice. Commodities shipped under barter contracts moved to 131 different countries and areas.

#### OUTLOOK FOR FISCAL YEAR 1973

The first half of fiscal year 1973 was marked by a further upsurge in agricultural exports to new record levels. A major factor in this surge was the purchase by the U.S.S.R. of approximately \$1.2 billion in U.S. wheat, corn, and soybeans. The Peoples Republic of China also made its first purchases of U.S. agricultural products.

For the fiscal year 1973, agricultural exports are expected to reach the Nation's longtime goal of \$10 billion. The high level of U.S. agricultural exports has been a major factor in eliminating the need to continue the export payment program on wheat, flour and rice. The Public Law 480 program will continue at levels comparable to previous years, while the Barter and CCC Credit Sales programs will set new export records.

FOREIGN ASSISTANCE PROGRAMS AND  
SPECIAL EXPORT PROGRAM  
(PUBLIC LAW 480)

Purpose Statement

Facilities and funds of the Commodity Credit Corporation are, by law, used in carrying out programs for exporting agricultural commodities. The laws also authorize appropriations to be made to cover costs of such programs. When funds become available, advances are made to the Corporation for estimated costs. If the amounts appropriated are greater than actual needs, the excess is used to reduce future appropriation requests. If the appropriations are less than actual needs, other Corporation funds may be used temporarily to finance the balance of the costs.

PUBLIC LAW 480

The following activities are currently being carried out under the Agricultural Trade Development and Assistance Act of 1954, Public Law 480, 83d Congress, as amended by the Food for Peace Act of 1966, Public Law 89-808, approved November 11, 1966, Public Law 90-436, approved July 29, 1968, and Public Law 91-524, approved November 30, 1970.

1. Sales of agricultural commodities for foreign currencies and for dollars on credit terms are made under title I of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480), as amended (7 U.S.C. 1701-1710).

The Corporation finances all sales made pursuant to agreements concluded under title I. Sales are made to friendly countries—as defined in section 103(d) of the act—and must not displace expected commercial sales for cash dollars (secs. 103 (c) and (n)).

No agreements may be entered into after December 31, 1973 (sec. 409), and agreements may not be made under title I in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1.9 billion, plus unused prior years' authorizations.

Whenever practicable, terms of agreements must require payment at time of delivery of not less than 5% of the purchase price in dollars or in currencies convertible to dollars. These initial payments are applied against costs to reduce appropriation requests. On credit agreements under title I, the President is authorized to require payment upon delivery in dollars or foreign currencies of amounts needed for payment of U.S. obligations and certain other purposes.

The act provided that the progressive shift from foreign currency sales to dollar credit sales would be completed by December 31, 1971. To the extent that transition from foreign currency sales to dollar credit sales is not possible, transition to convertible foreign currency credit sales is authorized on terms which permit conversion to dollars at the exchange rate applicable to the sales agreement. 1973 program costs for foreign currency sales represent final shipments under sales agreements signed on or before December 31, 1971.

Factors determining availability of commodities for disposition under Public Law 480 are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports, and adequate carryover. No commodity is available for disposition if the disposition thereof would reduce the domestic supply below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars.

The Corporation may finance only the differential between U.S. flag rates and world rates for the cost of ocean freight.

Sale of agricultural commodities for dollars on credit terms.--In order to stimulate and increase sales for dollars through credit, this title provides for sales of U.S. farm products under long-term credit arrangements. The purpose is to expand international trade, develop and expand export markets, and encourage economic development in the developing countries. Agreements are made with the governments of friendly nations, financial institutions acting on behalf of such nations, or with United States and foreign private trade entities. Repayments, including interest at minimum rates set by law, may be made in dollars for up to 20 years, or in foreign currency convertible to dollars for up to 40 years. Under certain conditions, the President is authorized to require payment upon delivery, in dollars, or in foreign currencies, of amounts needed for payment of U.S. obligations and certain other purposes. Interest is charged from the date of last delivery in each calendar year. Payments received each year are applied against current costs to reduce the appropriation request.

2. Commodities supplied in connection with dispositions abroad (Title II) (7 U.S.C. 1721-1725).--Commodities are supplied without cost to friendly nations and friendly peoples in times of famine or other emergency relief needs, to combat malnutrition, and to promote economic and community development in underdeveloped countries. The Corporation pays ocean freight on shipments under this title. Each year, up to \$7.5 million of foreign currencies accruing under title I may be purchased from this appropriation to meet costs of self-help activities (other than personnel and administrative) of cooperating groups.

#### SPECIAL EXPORT PROGRAM

Bartered materials for supplemental stockpile (7 U.S.C. 1856).--Under title II of the Agricultural Act of 1956, the Corporation transferred strategic and other materials to the supplemental stockpile. These materials were acquired from the barter and exchange of farm products. This does not cover materials acquired for the national stockpile or for other purposes. No contracts for the supplemental stockpile have been signed since 1968 and none are planned. The last appropriation was enacted in the 1971 Agricultural Appropriation Act. This program was liquidated in fiscal year 1971 by application of CCC receipts from damages paid by barter contractors.

The program has now been redirected to reimbursable offshore procurement for other Government agencies instead of procurement for the supplemental stockpile.



Available Funds, 1972  
and Estimated 1973 and 1974

Item	1972	Available 1973	Budget Estimate, 1974
Foreign Assistance Programs (P.L. 480):			
Sales for foreign currencies and for dollars on credit terms (Title I) .....	\$769,903,609	\$855,900,334	\$853,300,000
Commodities supplied in connection with dispositions abroad (Title II)	524,386,953	398,000,633	266,200,000
Total program level .....	1,294,290,562	1,253,900,967	1,119,500,000
Costs financed from receipts and prior year balances (net) .....	26,109,438	-358,900,967	-465,862,000
Total appropriation (P.L. 480) .	1,320,400,000	895,000,000	653,638,000

PUBLIC LAW 480

Under Public Law 480, as amended, exports of "available" agricultural commodities are made to friendly countries. Factors determining commodity availability are productive capacity, domestic requirements, farm and consumer price levels, anticipated commercial exports and adequate carryover. No commodity is available for disposition if it would reduce the domestic supply below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars. In carrying out this program, emphasis is placed on assistance to those countries that are determined to help themselves by improving their agricultural production and economic development.

The authorization for shipments under P.L. 480 was extended through December 31, 1973, by Public Law 91-524, approved November 30, 1970.

TITLE I

Title I of the legislation authorizes sales for dollars on credit terms or for foreign currencies. Sales for dollars on credit terms may be made with foreign governments or U.S. and foreign private trade entities. Credit terms as favorable to the United States as the economy of the foreign country will permit, but no less than for development loans made under section 201 of the Foreign Assistance Act of 1961, as amended, are allowed under the legislation.

Agricultural commodities sold under title I may be paid for in three ways: (1) foreign currencies, (2) U.S. dollars with interest on credit terms up to 20 years, with a grace period of up to two years or (3) foreign currency convertible to dollars with interest on credit terms up to 40 years with a grace period of up to ten years.

On title I Government-to-Government sales Commodity Credit Corporation will finance the cost of ocean freight on required U.S. flag vessels only to the amount of the differential between U.S. and foreign-flag vessel rates. This policy was initiated in fiscal year 1970.

Agreements may not be entered into under this title in any calendar year which call for an appropriation to reimburse the Corporation in excess of \$1,900 million plus unused prior years' authorizations of \$9,110 million as of December 31, 1972.

TITLE II

Under title II of Public Law 480, as amended, Commodity Credit Corporation-owned commodities are supplied to meet famine or other urgent relief requirements, combat malnutrition, promote economic and community development in developing areas, provide assistance for needy persons and nonprofit school lunch and preschool feeding programs outside the United States, and carry out the United States commitment to the World Food Program. Commodities not available in CCC stocks for donation may be purchased for this purpose. As far as practicable, such dispositions are made through nonprofit voluntary agencies. Assistance is directed toward activities designed to alleviate the causes of the need for such aid. Appropriations are authorized to reimburse the Corporation for costs incurred.

Programs of assistance shall not be undertaken under this title during any calendar year which call for an appropriation to reimburse the Corporation in excess of \$600 million plus unused prior years' authorizations of \$1,648 million as of December 31, 1972.

Status of Authorizations for Appropriations  
(In millions)

	P.L. 480	
	<u>Title I</u>	<u>Title II</u>
Unused prior years' authorizations, December 31, 1972 (estimate) .....	\$9,110	\$1,648
Annual authorization contained in Food for Peace Act of 1966, as amended - calendar year 1973 .....	<u>1,900</u>	<u>600</u>
Total authorization available through December 31, 1973 .....	<u>11,010</u>	<u>2,248</u>





Public Law 480

	<u>Sale of Agricultural Commodities for Foreign Currencies and for dollars on Credit Terms</u>	<u>Commodities Supplied in Connection with Dispositions Abroad</u>	<u>Total</u>
Appropriation Act, 1973 .....	\$371,375,000	\$523,625,000	\$895,000,000
Budget Estimate, 1974 .....	<u>289,051,000</u>	<u>364,587,000</u>	<u>653,638,000</u>
Decrease in Appropriation ...	<u>-82,324,000</u>	<u>-159,038,000</u>	<u>-241,362,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On appropriation basis)

	<u>1973</u>	<u>Decrease</u>	<u>1974 Estimate</u>
Sale of agricultural commodities for foreign currencies and for dollars on credit terms .....	\$371,375,000	-\$82,324,000	\$289,051,000
Commodities supplied in connection with dispositions abroad .....	<u>523,625,000</u>	<u>-159,038,000</u>	<u>364,587,000</u>
Total, available .....	<u>895,000,000</u>	<u>-241,362,000</u>	<u>653,638,000</u>

PROJECT STATEMENT  
(On the basis of appropriation)

Project	1972	1973	Increase or Decrease	1974 (estimated)
1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I) .....	\$866,565,000	\$371,375,000	-\$82,324,000	\$289,051,000
2. Commodities supplied in connection with dispositions abroad (Title II)	<u>453,835,000</u>	<u>523,625,000</u>	<u>-159,038,000</u>	<u>364,587,000</u>
Total available or estimated	<u>1,320,400,000</u>	<u>895,000,000</u>	<u>-241,362,000</u>	<u>653,638,000</u>

The preceding project statement was prepared on an appropriation basis. The following schedule reflects obligations under available funds.

PROJECT STATEMENT  
(On the basis of available funds)

Project	1972	1973 (estimated)	Increase or Decrease	1974 (estimated)
1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I) .....	\$769,903,609	\$855,900,334	-\$2,600,334	\$853,300,000
2. Commodities supplied in connection with dispositions abroad (Title II) .....	524,386,953	398,000,633	-131,800,633	266,200,000
Total program level .....	1,294,290,562	1,253,900,967	-134,400,967	1,119,500,000
Adjustments to appropriations:				
Title I:				
Receipts from sale of foreign currencies and loan repayments used to finance the program	-301,090,755	-406,800,000	+53,500,000	-353,300,000
Unobligated balances (includes balances in the Corporation):				
Brought forward .....	- -	-288,674,334	+77,725,334	-210,949,000
Carried forward .....	288,674,334	210,949,000	-210,949,000	--
Costs brought forward ..	109,077,812	--	--	--
Title II:				
Costs brought forward ..	153,459,414	224,011,367	-125,624,367	98,387,000
Costs carried forward ..	-224,011,367	-98,387,000	+98,387,000	--
Total, appropriation .....	1,320,400,000	895,000,000	-241,362,000	653,638,000

EXPLANATION OF ESTIMATE

The preceding project statement reflects estimated obligations on the basis of available funds. The rate at which expenditures and obligations are made under these programs is influenced by crop conditions, commodity availability, economic conditions in receiving countries, availability of shipping, port facilities and similar factors.

The amounts provided in the appropriations are not fully controlling since the basic law permits the Government to enter into agreements involving expenditures which must be financed from subsequent appropriations. On the other hand, if funds appropriated are in excess of amounts actually used in a particular year, such amounts are applied against current year's costs and reduce the subsequent appropriations required.

The table and explanation which follow are based on program volume:

1. Sale of agricultural commodities for foreign currencies and for dollars on credit terms (Title I):

Item	1972	1973 (estimated)	Increase or Decrease	1974 (estimated)
<u>Program:</u>				
Expenses of shipments:				
Commodity costs:				
Foreign currency.....	\$144,303,335	\$5,488,000	-\$5,488,000	--
Long-term credit.....	552,958,723	787,412,000	+15,388,000	\$802,800,000
Total commodity costs.	697,262,058	792,900,000	+ 9,900,000	802,800,000
Ocean transportation:				
Foreign currency.....	10,698,987	1,324,000	- 1,324,000	--
Long-term credit.....	61,942,564	61,676,334	-11,176,334	50,500,000
Total ocean transportation.....	72,641,551	63,000,334	-12,500,334	50,500,000
Total expenses of shipments:				
Foreign currency....	155,002,322	6,812,000	- 6,812,000	--
Long-term credit....	614,901,287	849,088,334	+ 4,211,666	853,300,000
Total.....	769,903,609	855,900,334	- 2,600,334 (1)	853,300,000
<u>Financing:</u>				
Receipts from:				
Sale of foreign currency..	-200,987,954	-246,500,000	+56,900,000	-189,600,000
Repayments on long-term credit.....	-100,102,801	-160,300,000	- 3,400,000	-163,700,000
Subtotal.....	-301,090,755	-406,800,000	+53,500,000	-353,300,000
1971 costs financed from 1972 appropriation:				
Long-term credit.....	109,077,812	--	--	--
1972 funds available for 1973 costs:				
Long-term credit.....	288,674,334	-288,674,334	+288,674,334	--
1973 funds available for 1974 costs:				
Long-term credit.....	--	210,949,000	-421,898,000	-210,949,000
Net financing.....	+96,661,391	-484,525,334	-79,723,666	-564,249,000
Total available or estimate	866,565,000	371,375,000	-82,324,000	289,051,000

The preceding schedule reflects a combined appropriation for sales for foreign currencies and sales for dollars on credit terms. A decrease of \$2,600,334 in program level in 1974 is reflected, and the appropriation requested is \$82,324,000 less than the appropriation for 1973.

The 1972 appropriation was \$288,674,334 more than 1972 costs after crediting \$301,090,755 of proceeds from sales of foreign currencies and dollar repayments from foreign governments to the 1972 program costs.

The 1973 appropriation is expected to be \$210,949,000 more than estimated 1973 program costs after application of \$288,674,334 of 1972 funds available and \$246,500,000 of proceeds from sales of foreign currencies and \$160,300,000 of dollar repayments from foreign governments.

In 1974 all Title I sales will be made under long-term credit. Estimated 1973 program costs for foreign currency sales represent final shipments under agreements signed on or before December 31, 1971.

The estimates for 1974 program activity reflect estimated receipts of \$189,600,000 from sales of foreign currencies and loan repayments, \$66,700,000 repayments from foreign governments and private trade entities and \$97,000,000 foreign currencies for U.S. uses pursuant to Section 103(b).

In addition, \$27,263,277 is estimated to be due from the Department of Defense as of June 30, 1974. This represents foreign currencies used for military housing construction which is payable by the Department of Defense at the rate of \$4 million a year to the Corporation.

#### INCREASES AND DECREASES

(1) A net decrease of \$2,600,334 in program level in 1974 consisting of:

- (a) An increase of \$9,900,000 in commodity costs (\$792,900,000 available in 1973). Major changes from 1973 estimates in estimated shipments and commodity costs are as follows:

	Change in Estimated Shipments	Change in Cost of Shipments
	(in thousands)	
<u>Increases:</u>		
Feed grains	+289 Sh. tons	+\$4,412
Wheat	+17,799 bus.	+20,620
Cotton	+281 bales	+18,210
Vegetable oil products	+261,336 lbs.	+25,710
Blended food products	+12,804 lbs.	+1,128
Total increases	<u>xx</u>	<u>+70,080</u>
<u>Decreases:</u>		
Rice	-765 cwt.	-41,787
Cotton products	-9,601 lbs.	-7,777
Dairy products	-8,819 lbs.	-2,910
Tobacco	-4,804 lbs.	-4,377
Tallow or grease	-6,616 lbs.	-529
Initial payments to exporters	<u>xx</u>	<u>-2,800</u>
Total decreases	<u>xx</u>	<u>-60,180</u>
Net change in cost of shipments		<u>+9,900</u>

- (b) A decrease of \$12,500,334 in ocean transportation (\$63,000,334 available in 1973). This reflects a decrease in payments for ocean freight partially offset by an increase in the quantities shipped.

Costs incurred include the following:

- a. Payment at export prices for commodities shipped.
- b. Differential between domestic market price and the competitive world price on commodities exported, where applicable.
- c. Authorized ocean freight differential on shipments made in U.S. flag vessels.

Following is a breakdown of expenses of shipments by commodity for the fiscal years 1972, 1973, and 1974. (Note--The reductions shown for the adjustment for initial payments to exporters are authorized in Title I, Section 103(k). This initial payment is made directly to the exporters by the importers. The Corporation does not receive these payments.):



Expenses of shipments--Sales for foreign currencies and for dollars on credit terms, 1972-1974:

Commodity	Unit of Measure	1972 Actual		1973 Estimate		1974 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn .....	bushel	28,510,043	\$ 38,381,259	27,502,000	\$46,481,000	39,130,000	\$57,130,000
Grain sorghum .....	bushel	20,651,360	27,553,455	22,361,000	35,937,000	20,471,000	29,120,000
Barley .....	bushel	-	-	1,102,000	1,653,000	1,787,000	2,233,000
Total feed grains .....	Short ton	1,376,519	65,934,714	1,422,612	84,071,000	1,711,716	88,483,000
Wheat .....	bushel	174,167,435	292,532,288	115,113,000	277,767,000	132,912,000	298,387,000
Rice .....	cwt.	17,853,947	160,162,224	22,811,000	255,633,000	22,046,000	213,846,000
Cotton, upland .....	bale	490,439	79,686,149	750,000	111,750,000	1,031,000	130,000,000
Cotton, extra-long staple .....	bale	4,682	1,194,620	4,000	940,000	4,000	900,000
Cotton products .....	pound	9,152,940	7,160,410	12,101,000	9,802,000	2,500,000	2,025,000
Blended food products .....	pound	-	-	1,387,000	125,000	14,191,000	1,253,000
Milk, dried .....	pound	22,792,259	6,644,399	17,637,000	6,173,000	8,818,000	3,263,000
Milk, condensed .....	pound	18,628,754	5,599,574	-	-	-	-
Total, dairy products .....	pound	41,421,013	12,243,973	17,637,000	6,173,000	8,818,000	3,263,000
Vegetable oils .....	pound	425,523,151	53,760,071	346,214,000	38,084,000	607,550,000	63,794,000
Tobacco (total) .....	pound	23,330,134	24,340,194	29,946,000	32,526,000	24,692,000	28,149,000
Tallow or grease .....	pound	3,306,900	247,415	6,614,000	529,000	-	-
Initial payment to exporters .....	xxx	-	-	-	-24,500,000	-	-27,300,000
Total commodity costs .....		xxx	697,262,058	xxx	792,900,000	xxx	802,800,000
Ocean transportation:							
Foreign currency .....	Met. Ton	466,288	10,698,987	c/ 8,101	1,324,000	-	-
Long-term credit .....	Met. Ton	3,277,024	61,942,564	c/ 2,895,624	61,676,334	c/ 3,351,629	50,500,000
Total expenses of shipments ..		xxx	769,903,609	xxx	855,900,334	xxx	853,300,000

a Represents ocean freight differential paid to U.S. shippers on 50.0% of tonnage shipped on U.S. flag vessels at average rate.

b Represents 52.8% of shipments on U.S. flag vessels at average rate.

c Represents 50% of shipments on U.S. flag vessels at average rate.

The following table shows the composition of costs incurred, receipts, and amounts owed by foreign governments and private trade entities on long-term credit sales for the fiscal years 1972, 1973, and 1974:

Item	1972	1973 (estimated)	1974 (estimated)
Balance outstanding, start of year:			
Principal .....	\$2,241,315,625	\$2,697,332,085	\$3,299,002,075
Interest .....	27,839,336	32,602,305	46,088,665
Total .....	2,269,154,961	2,729,934,390	3,345,090,740
Costs incurred during year:			
Principal .....	524,277,818	708,023,350	799,249,400
Interest .....	52,322,412	67,433,000	82,475,050
Total .....	576,600,230	775,456,350	881,724,450
Payments by foreign governments and private trade entities:			
Principal .....	-68,261,358	-106,353,360	-97,719,960
Interest .....	-47,559,443	-53,946,640	-65,980,040
Total .....	-115,820,801	-160,300,000	-163,700,000
Balance due from foreign governments and private trade entities, end of year:			
Principal .....	2,697,332,085	3,299,002,075	4,000,531,515
Interest .....	32,602,305	46,088,665	62,583,675
Total .....	2,729,934,390	3,345,090,740	4,063,115,190

2. Commodities supplied in connection with dispositions abroad (Title II):

Beginning January 1, 1967, the Food for Peace Act of 1966 authorized financing the costs of CCC commodities disposed of through voluntary agencies from this appropriation.

Item	1972	1973 (estimated)	Increase or Decrease	1974 (estimated)
<u>Program:</u>				
Expenses of shipments:				
Commodity costs .....	\$403,518,712	\$294,500,000	-\$96,500,000	\$198,000,000
Ocean transportation ...	117,867,734	99,500,633	-32,300,633	67,200,000
Total, expenses of shipments .....	521,386,446	394,000,633	-128,800,633	265,200,000
Purchase of foreign currencies for use in self-help activities .....	3,000,507	4,000,000	-3,000,000	1,000,000
Total program .....	524,386,953	398,000,633	-131,800,633(1)	266,200,000
<u>Financing:</u>				
1971 costs financed from 1972 appropriation .....	153,459,414	--	--	--
1972 costs financed from 1973 appropriation .....	-224,011,367	224,011,367	-224,011,367	--
1973 costs to be financed from 1974 appropriation	--	-98,387,000	+196,774,000	98,387,000
Net financing .....	-70,551,953	+125,624,367	-27,237,367	+98,387,000
Total available or estimate	453,835,000	523,625,000	-159,038,000	364,587,000

The preceding schedule reflects a decrease of \$131,800,633 in program level in 1974 below the 1973 level as explained below.

It is estimated that at the end of fiscal year 1973 there will remain unpaid 1973 program costs of \$98,387,000 to be financed from the 1974 appropriation. The estimate of reduced program activity in fiscal year 1974, with the unpaid prior year's costs, will result in a decrease of \$159,038,000 in the appropriation requested for 1974.

DECREASES

(1) A decrease of \$131,800,633 in program level in 1974 consisting of:

(a) A decrease of \$96,500,000 in commodity costs (\$294,500,000 available in 1973). Changes in estimated shipments and commodity costs are as follows:

<u>Decreases</u>	<u>Change in Estimated Shipments</u> (in thousands)	<u>Change in Cost of Shipments</u>
Feed grains and products	-69 Sh. tons	-\$6,526
Wheat and products	-31,268 bu. equiv.	-77,441
Milled rice	-600 cwt.	-5,979
Soybean products	-524 lbs.	-56
Vegetable oil products	-126,608 lbs.	-17,970
Total decreases	<u>xx</u>	<u>-107,972</u>
<u>Increases</u>		
Blended food products	+156,811 lbs.	+9,987
Dried milk	+4,218 lbs.	+1,485
Total increases	<u>xx</u>	<u>+11,472</u>
Net change in cost of shipments		<u>-96,500</u>

(b) A decrease of \$32,300,633 in ocean transportation (\$99,500,633 available in 1973). This reflects the decrease of over 872 thousand metric tons in estimated commodity shipments listed above. The decrease is in lower "transportation costs" commodities, thus increasing the average cost per ton.

(c) A decrease of \$3,000,000 in purchases of foreign currencies for use in self-help activities (\$4,000,000 available in 1973). This reflects a reduction in self-help activities in fiscal year 1974.

Costs incurred--Costs include the following:

- Payment to the Corporation for its investment in making commodities available. This includes acquisition costs, storage, processing, packaging, inland transportation and handling charges.
- Authorized ocean transportation costs from U.S. ports to designated ports of entry abroad. This may include transportation to designated points of entry in landlocked countries.
- Purchase of foreign currencies for use in self-help activities.

The following table reflects estimated expenses of shipments by commodity:

Public Law 480, Title II, Expenses of shipments, 1972-1974:

Commodity	Unit of Measure	1972 Actual		1973 Estimate		1974 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Feed grains:							
Corn .....	bushel	2,908,834	\$5,574,413	3,217,000	\$6,015,000	2,489,000	\$5,269,000
Corn products <sup>a</sup> .....	bu. equiv.	2,435,816	3,351,971	3,543,000	5,259,000	2,132,000	3,408,000
Grain sorghum .....	bushel	3,909,372	6,313,595	3,470,000	8,224,000	2,606,000	4,611,000
Barley .....	bushel	-	271,105	-	-	-	-
Oats .....	bushel	-	-45,208	-	-	-	-
Oat products <sup>b</sup> .....	bu. equiv.	1,497,353	1,883,863	2,304,000	3,655,000	2,112,000	3,339,000
Total feed grains .....	Short Ton	245,924	17,349,739	268,648	23,153,000	199,622	16,627,000
Wheat .....	bushel	32,298,157	61,234,020	29,665,000	63,187,000	7,260,000	16,379,000
Wheat flour <sup>c</sup> .....	bu. equiv.	21,119,820	47,325,768	20,793,000	53,343,000	13,527,000	29,893,000
Bulgur <sup>d</sup> .....	bu. equiv.	9,238,612	23,250,693	8,804,000	28,931,000	7,206,000	21,745,000
Rolled wheat <sup>e</sup> .....	bu. equiv.	128,281	324,215	22,000	61,000	23,000	64,000
Total wheat and products .....	bu. equiv.	62,784,870	132,134,696	59,284,000	145,522,000	28,016,000	68,081,000
Rice, milled .....	cwt.	5,464,533	54,361,498	700,000	7,056,000	100,000	1,077,000
Blended food products .....	pound	447,485,436	41,385,398	534,504,000	52,424,000	691,315,000	62,411,000
Soybean products .....	pound	8,755,698	860,988	600,000	65,000	76,000	9,000
Cotton products .....	pound	-	-86	-	-	-	-
Butter .....	pound	-	-2,128	-	-	-	-
Ghee .....	pound	-	-5,084	-	-	-	-
Milk, dried .....	pound	254,432,536	87,917,967	85,782,000	30,015,000	90,000,000	31,500,000
Total dairy products .....	pound	254,432,536	87,910,755	85,782,000	30,015,000	90,000,000	31,500,000
Vegetable oil products .....	pound	412,565,151	69,515,724	253,657,000	36,265,000	127,049,000	18,295,000
Total commodity costs .....	xxx	xxx	403,518,712	xxx	294,500,000	xxx	198,000,000
Ocean transportation .....	Met. Ton	2,523,051	117,867,734	2,212,566	99,500,633	1,250,298	67,200,000
Total expenses of shipments .....	xxx	xxx	521,386,446	xxx	394,000,633	xxx	265,200,000
<sup>a</sup> Cormmeal .....	pound	77,082,732	112,132,000	112,132,000	67,454,000	67,454,000	18,295,000
<sup>b</sup> Rolled oats .....	pound	32,945,050	50,693,000	50,693,000	46,470,000	46,470,000	198,000,000
<sup>c</sup> Wheat flour .....	pound	952,201,085	937,487,000	937,487,000	609,854,000	609,854,000	67,200,000
<sup>d</sup> Bulgur .....	pound	502,644,844	478,990,000	478,990,000	392,039,000	392,039,000	67,200,000
<sup>e</sup> Rolled wheat .....	pound	7,142,580	1,200,000	1,200,000	1,306,000	1,306,000	67,200,000



SPECIAL EXPORT PROGRAM

The Commodity Credit Corporation conducted a special export program for bartered materials for the supplemental stockpile. Costs of the final transfer of materials made in 1971 were reimbursed from the 1971 appropriation and other funds available.

Barter activities are now limited to barter for offshore procurement for other Government agencies on a reimbursable basis. Under this program, the Corporation pays an "offshore procurement premium" for the export of certain commodities.

The following table shows actual and estimated activity, 1972 to 1974:

Commodities Bartered for Offshore Procurement for Other Government Agencies  
(In thousands)

Commodity	Unit of Measure	1972 Actual		1973 Estimate		1974 Estimate	
		Quantity	Value	Quantity	Value	Quantity	Value
Corn .....	bushel	64,992	\$88,511	85,000	\$143,650	10,000	\$14,600
Grain sorghum .....	bushel	10,896	14,385	15,000	22,350	2,000	2,640
Barley .....	bushel	96	181	5,000	7,500	-	-
Oats .....	bushel	-	-	-	-	-	-
Total feed grains .....	sh. ton	2,127	103,077	2,920	173,500	336	17,240
Wheat .....	bushel	78,973	128,021	90,000	185,400	5,000	10,250
Wheat flour .....	bu. equiv.	450	713	-	-	-	-
Total wheat and products .....	bu. equiv.	79,423	128,734	90,000	185,400	5,000	10,250
Rice .....	cwt.	4,353	35,774	4,500	49,275	400	4,380
Cotton, Upland .....	bale	1,617	249,964	1,400	205,800	1,050	130,200
Vegetable oils .....	pound	587,786	86,374	550,000	61,875	515,000	56,300
Tobacco, total .....	pound	176,798	200,690	220,000	253,000	175,000	210,000
Tallow or grease .....	pound	890,238	71,310	900,000	72,000	900,000	72,000
Total <sup>1/</sup> .....	xxx	xxx	875,923	xxx	1,000,850	xxx	500,370

<sup>1/</sup> Distribution as follows:

For offshore procurement (paid by other sources) ..... \$875,923  
Offshore premiums (information only) ..... [17,842]  
Total ..... 875,923

\$1,000,850  
[16,000]  
1,000,850  
\$500,370  
[13,000]  
500,370

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

Purpose Statement

The Agricultural Stabilization and Conservation Service was established by the Secretary of Agriculture on June 5, 1961, under the authority of Reorganization Plan No. 2 of 1953, in accordance with the Reorganization Act of 1949, as amended (5 U.S.C. 901-913). The Service carries on the following principal programs:

1. Production Adjustment Programs. The Agricultural Act of 1970 authorizes set-aside programs for the 1971, 1972, and 1973 crops of feed grains, wheat, and upland cotton. The objectives of these programs are (1) balance production with utilization, (2) encourage exports, (3) increase net farm income and (4) reduce Government expenditures. Producers must, as a condition of eligibility for loans, purchases, payments, and certificates (in the case of wheat) on such commodities, set aside and devote to approved conservation uses specified acreages of cropland and otherwise comply with program requirements.

The Agricultural Adjustment Act of 1938, as amended, authorizes production adjustment programs for designated basic commodities (tobacco, peanuts, wheat, cotton and rice). This is done through acreage allotments, and through marketing quotas when supplies reach specified levels in relation to normal demand. (The Agricultural Act of 1970 suspended quotas for the 1971, 1972, and 1973 crops of wheat and upland cotton.)

2. Sugar Act Program. The chief objective of the Sugar Act of 1948, as amended, is "to protect the welfare of consumers of sugar and of those engaged in the domestic sugar-producing industry". This involves determination of U.S. consumption requirements and administration of quotas to regulate imports of sugar produced in foreign areas. It also involves marketing of sugar produced in domestic areas. Payments are made to domestic sugar growers who comply with certain labor, wage, price, and marketing requirements prescribed by law.
3. Rural Environmental Assistance Program. This program is authorized by the provisions of sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. The Act aims at building the productive capacity of soil, conserving agricultural soil and water, and other environmental enhancement actions. Costs are shared with individual (or groups of) farmers, ranchers, and woodland owners who perform approved soil-building and soil-and water-conserving practices, including related wildlife conserving and pollution abatement practices, on their lands. This assistance represents only a part of the cost of performing the practices. The rate of cost-sharing averages about 50 percent of the cost, with the participant contributing the remainder. Allocations are made to States based upon conservation needs.
4. Water Bank Act Program. The Water Bank Act (P.L. 91-559) approved December 19, 1970, authorizes a continuous program to prevent the serious loss of wetlands and to preserve, restore and improve wetlands beginning July 1, 1971. Agreements are entered into with landowners and operators in important migratory waterfowl nesting and breeding areas for the conservation of specified wetlands. The agreements are for ten year periods with provision for renewals for additional periods.
5. Emergency Conservation Measures. This program is authorized by the Third Supplemental Appropriation Act of 1957 and the Supplemental Appropriation Acts of 1958 and 1959. Its objective is to restore to normal agricultural use farmlands which have been damaged by wind erosion, hurricanes, floods, or other natural disasters. To this end, costs are shared with farmers for carrying out approved practices. Assistance is given only when new conservation problems are created which: (a) if not treated will impair or

endanger the land; (b) materially affect the productive capacity of the land; (c) represent damage which is unusual in character, and, except for wind erosion, is not the type which would recur frequently in the same area; or (d) will be so costly to rehabilitate that Federal assistance is required to return the land to productive agricultural use.

6. Cropland Adjustment Program. This program was authorized in title VI of the Food and Agriculture Act of 1965 which expired at the end of 1970. Its purpose is to assist farmers, through long-term agreements, to divert land from the production of certain crops to more needed uses that will promote the development and conservation of our soil, water, forest, wildlife, and recreational resources. The program also establishes, protects, and conserves open spaces and natural beauty and prevents air and water pollution. Under the 1966 and 1967 programs 3.8 million acres were placed under agreements, the last of which will expire in the fiscal year 1977. Agreements have not been entered into since 1967. Under Greenspan, grants were made to local and State agencies to purchase cropland for public benefit uses.
7. Cropland Conversion Program. Section 16(e) of the Soil Conservation and Domestic Allotment Act, as amended by Section 101 of the Food and Agriculture Act of 1962, provided for long-term cropland conversion agreements. These pilot program agreements were entered into with farmers and ranchers to make changes from their past cropping systems and land uses to other income producing, public benefit uses. Agreements were made during the fiscal years 1963, 1965, 1966, and 1967. The last of these will expire in the fiscal year 1976. Section 16(e) was further amended by title VIII of the Agricultural Act of 1970, and now authorizes agreements with farmers and ranchers and Greenspan agreements with public entities.
8. Conservation Reserve Program. The Conservation Reserve Program was authorized by the Soil Bank Act. It was a voluntary program, initiated in 1956, under which the Secretary was authorized, through the calendar year 1960, to enter into 3- to 10-year contracts with farmers to withdraw specified acres of cropland from production and devote it to conservation uses. In return for removing designated cropland from production and for establishing necessary conservation practices on this land, the farmer receives an annual rental payment each year of the contract period, and received cost-sharing assistance for the establishment of the required conservation practices. All contracts will expire by the end of the calendar year 1972.
9. Dairy and Beekeeper Indemnity Programs. Beginning January 1, 1964, the Secretary was authorized to make indemnity payments at the fair market value to dairy farmers who were directed to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use provided such removal was not a result of willful failure to follow procedures prescribed by the Federal Government. The Agricultural Act of 1970 extended the milk indemnity payment program through June 30, 1973, and authorized indemnification payments, beginning with the date of enactment, to manufacturers of dairy products who have been directed to remove their products because they contained residues of chemicals registered and approved for use by the Federal Government. The Agricultural Act of 1970 also authorized indemnity payments to beekeepers who, through no fault of their own, suffered losses of honey bees after January 1, 1967, as a result of utilization of economic poisons near the property on which the beehives of such beekeepers were located.
10. Commodity Credit Corporation Program Activities. Various support and related programs have been authorized in numerous laws since the early 1930's. Operations under these programs are financed through the Commodity Credit Corporation. Personnel and facilities of the Agricultural Stabilization and Conservation Service are used in the administration of the Commodity Credit Corporation programs. The Administrator of the Service is also Executive Vice President of the Corporation.



Additional information on the support and related activities of the Commodity Credit Corporation will be found in Volume of these Explanatory Notes.

Foreign Assistance Program, Special Export Programs and other Special Activities. Various surplus disposal programs and other special activities are authorized by law. These laws authorized the use of CCC funds and facilities to implement the programs. Funds for these programs are made available to the Corporation for its costs incurred in connection with these activities. Additional information on these programs will be found in Volume of these Explanatory Notes.

11. Work Performed for Others. The Agricultural Stabilization and Conservation Service performs certain services for other Federal agencies and others on an advance or reimbursable payment basis. These consist primarily of the following:
  - a. Great Plains Conservation Program. The Service assists the Soil Conservation Service in the development and application of policies relating to conservation measures and cost-share rates. This includes conservation practices for use in the various States. The Service works with the Soil Conservation Service in correlating the Rural Environmental Assistance Program and the Great Plains Conservation Program practices and procedures.
  - b. Appalachian Region Conservation Program. This is a long-term program authorized in Section 203 of the Appalachian Regional Development Act of 1965, as amended, to provide cost-sharing assistance to landowners, operators, or occupiers of land in the Appalachian Region. Contracts provide for land stabilization, erosion and sediment control, reclamation through changes in land use, and the establishment of measures for the conservation and development of the Region's soil, water, woodland, wildlife and recreation resources. The program supplements other conservation programs of the Department in designated areas of counties in the Appalachian Region. Funds for carrying out the program are appropriated directly to the Appalachian Regional Commission.
  - c. Removal of Surplus Agricultural Commodities and School Lunch Program. Purchase and diversion programs for the Agricultural Marketing Service are carried out under Section 32 of the Act of August 24, 1935. Commodities are also purchased for use by schools in the Child Nutrition Programs for the Food and Nutrition Service.
  - d. Food Stamp Program. ASCS performs systems, programming, data processing and clerical control functions for Food and Nutrition Service in the data analysis of Food Stamp redemptions.
  - e. Aerial Photographs. ASCS makes aerial photographs for use in farm programs primarily in checking compliance. Copies are also sold to the public and to other Federal agencies. ASCS is receiving photographs from NASA's Earth Resources Technology Satellite (ERTS). These photographs are made available to Agencies by ASCS on a reimbursable basis.
  - f. Agency for International Development. The Service provides technical assistance, as requested by the Economic Research Service in connection with the Department's activities under agreement with AID, particularly in the fields of food production, distribution and price stabilization.
  - g. Loan Service Charges. The Service performs inspection, sampling, testing, grading, and sealing of commodities being placed under loan for which fees are collected from farmers.

12. Other Activities. The Agricultural Stabilization and Conservation Service is responsible for part of the Department's civil defense work. This includes defense preparedness work on food and also domestic distribution of farm equipment and supplies.

Under its own authorities, and in conjunction with the Office of Emergency Preparedness, the Service provided assistance under the following emergency livestock feed programs: (1) Livestock Feed Program; (2) Grazing and Haying; (3) Hay Transportation Assistance Program; and (4) Acute Distress Donation Program to Indian Tribes.

The Agricultural Stabilization and Conservation Service conducts its programs in the field through a number of offices. Agricultural Stabilization and Conservation State and county committees are responsible for local administration of a variety of programs dealing directly with the farmer. Through the farmer-elected ASC county committees, the Service also obtains recommendations and advice in the formulation of program plans and policies. There are ASC State Committees in the 50 states and a total of 3,061 county committees. Three commodity offices and one data processing center are responsible primarily for Commodity Credit Corporation functions. Such functions include accounting for loans and purchases; acquisition, management, storage and disposition of commodities; and related transportation and accounting activities. A management field office performs fiscal, personnel, and administrative operations for all the States and most of the commodity offices and data processing center.

Available Funds and Man-years  
1972 and Estimated, 1973 and 1974

Item	Actual 1972		Estimated Available, 1973		Budget Estimate 1974	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Agricultural Stabiliza- tion and Conservation Service:						
Salaries and Expenses, ASCS:						
Appropriation .....	\$165,039,000	)	\$169,235,000	)	\$152,000,000	)
Transfers from CCC:		) 3,852		) 3,609		) 3,385
Authorized in appro- priation Act .....	77,256,000	)	<sup>a</sup> 78,346,000	)	<sup>b</sup> 82,027,000	)
Total, Salaries and Ex- penses, ASCS .....	242,295,000	3,852	247,581,000	3,609	234,027,000	3,385
Deduct allotments to other agencies .....	-215,000	-11	-215,000	-8	-32,000	-2
Subtotal, ASCS only ..	242,080,000	3,841	247,366,000	3,601	233,995,000	3,383
Sugar Act program .....	86,000,000	- -	84,500,000	- -	89,500,000	- -
Cropland adjustment program .....	67,100,000	- -	52,500,000	- -	51,900,000	- -
Dairy and Beekeeper Indemnity programs .....	7,500,000	- -	3,500,000	- -	- -	- -
Rural Environmental Assistance program (appropriation) .....	150,000,000	- -	195,500,000	- -	15,000,000	- -
Water Bank Act program ..	10,000,000	4	10,000,000	46	- -	- -
Deduct allotment to SCS	-953,000	-4	-1,000,000	-46	- -	- -
Subtotal, ASCS only ...	9,047,000	- -	9,000,000	- -	- -	- -
Emergency conservation measures .....	12,000,000	- -	10,000,000	- -	10,000,000	- -
Total .....	573,727,000	3,841	602,366,000	3,601	400,395,000	3,383
Obligations under other USDA appropriations:						
Allocation from Soil Conservation Service - Great Plains Conser- vation Program .....	84,000	2	84,000	2	84,000	2
Agricultural Marketing Service - For assist- ance on Section 32 program .....	1,138,310	81	1,354,000	84	1,354,000	84
Food and Nutrition Ser- vice - for assistance on School Lunch pro- gram and commodity distribution activity.	280,800	19	405,000	30	405,000	30
Food and Nutrition Ser- vice - for assistance on Food Stamp program.	540,156	42	418,850	32	418,850	32
Federal Crop Insurance Corporation - for ad- ministrative services provided the Corpora- tion .....	357,628	)	428,736	)	428,736	)
Data processing ser- vices for centralized		)		)		)
personnel and payroll-		)		)		)
ing operations .....	705,858	)	- -	)	- -	)

Item	Actual 1972		Estimated Available, 1973		Budget Estimate 1974	
	Amount	Man- years	Amount	Man- years	Amount	Man- years
Office space supplied to other agencies of the Department .....	1,973,631	)	2,010,000	)	2,010,000	)
Miscellaneous - for de- tail of personnel, travel, office sup- plies, etc. ....	1,439,203	) 101	1,376,914	) 68	1,376,914	) 68
Total, Other USDA appropriations .....	6,519,586	245	6,077,500	216	6,077,500	216
Total, Agricultural Appropriation Bill .....	580,246,586	4,086	608,443,500	3,817	406,472,500	3,599
Other funds:						
Regional Action Plan- ning Commission, Regional Development Program .....	354,290	- -	152,030	- -	- -	- -
Office of Emergency Preparedness:						
Removal of debris on private lands as a result of natural disasters .....	275,644	- -	- -	- -	- -	- -
Administrative expenses .....	5,200	- -	- -	- -	- -	- -
Fees collected from farmers for processing support loans .....	5,545,000	- -	6,140,000	- -	4,140,000	- -
Sales of aerial photo- graphs to other agencies and non-Federal sources	1,581,936	- -	1,650,000	- -	1,650,000	- -
Agency for International Development:						
Training .....	17,400	2	17,500	2	17,500	2
Special projects .....	12,279	- -	15,000	- -	15,000	- -
Total, other funds .....	7,791,749	2	7,974,530	2	5,822,500	2
Total, Agricultural Stabilization and Conservation Service ...	588,038,335	4,088	616,418,030	3,819	412,295,000	3,601

NOTE: Man-years shown do not include committeemen and employees of ASCS County Committees.

a Includes \$2,866,000 contingency reserve available only upon release by the Office of Management and Budget.

b Includes \$2,944,000 contingency reserve available only upon release by the Office of Management and Budget.



(a) Salaries and Expenses, Agricultural Stabilization and Conservation Service

	<u>Direct Appropriation</u>	<u>Transfers from Commodity Credit Corporation</u>	<u>Total</u>
Appropriation Act, 1973 .....	\$169,235,000	\$78,346,000	\$247,581,000
Budget Estimate, 1974 .....	<u>152,000,000</u>	<u>82,027,000</u>	<u>234,027,000</u>
Decrease in Appropria- tion .....	<u>-17,235,000</u>	<u>+3,681,000</u>	<u>-13,554,000</u>

SUMMARY OF INCREASES AND DECREASES  
(On basis of adjusted CCC transfers)

	<u>1973</u>	<u>Increase or Decrease</u>	<u>1974 Estimate</u>
Direct appropriation:			
Reduction due to termination of REAP and Water Bank in 1974 .....	\$169,235,000	-\$17,235,000	\$152,000,000
Transfers from CCC:			
Increased costs for loan activity and ADP systems develop- ment .....	75,480,000	+3,603,000	79,083,000
Contingency Reserve (CCC) .....	<u>2,866,000</u>	<u>+78,000</u>	<u>2,944,000</u>
Subtotal, CCC....	<u>78,346,000</u>	<u>+3,681,000</u>	<u>82,027,000</u>
Total available .....	<u>247,581,000</u>	<u>-13,554,000</u>	<u>234,027,000</u>

Project Statement

Project	1972	1973 (Estimated)	Increase or Decrease	1974 (Estimated)
1. Program formulation and appraisal .....	\$3,402,379	\$3,258,000	+\$22,000	\$3,280,000
2. Operation of supply adjustment, conservation and support programs ..	209,371,506	212,315,000	-13,850,000	198,465,000
3. Inventory management and merchandising .....	29,517,372	29,142,000	+196,000	29,338,000
Contingency reserve (CCC) ...	- -	2,866,000	+78,000	2,944,000
Unobligated balance .....	3,743	- -	- -	- -
Total available or estimate ..	242,295,000	247,581,000	-13,554,000 (1)	234,027,000
Transfers from CCC .....	77,256,000	78,364,000	a/ +3,681,000	82,027,000
Subtotal, Direct Appropriation .....	165,039,000	169,235,000	-17,235,000	152,000,000
Transferred to other accounts :	-1,061,000			
Transferred from other accounts :	1,014,000			
Total, appropriation .....	165,086,000			

a/ Of this authorization \$500,000 is being withheld from use in 1973 principally from funds budgeted from travel.

(1) The net decrease of \$13,554,000 in the total request for 1974 consists of:

(a) An increase of \$3,681,000 in the transfer from CCC funds consisting of:

(1) \$1,965,000 for workload involving loan activity; (2) an increase of \$1,638,000 for systems development and evaluation of automatic data processing; and (3) an increase of \$78,000 in the 7 percent contingency reserve for the CCC Limitation on Administrative Expense resulting from an increase in the limitation to \$41.8 million in 1974.

(b) A decrease of \$17,235,000 in the direct appropriation for administrative expenses since an authorization has not been requested for a 1974 Rural Environmental Assistance Program and the Water Bank Act Program. This reduction will reduce funds available to the Washington, State and County offices as follows:

	Federal Man-Years	Amount
Washington .....	38	\$249,500
State offices .....	180	823,000
County offices (Non-Federal employees) .....	(NA)	16,162,500
Total .....	218	17,235,000

# EXPLANATION OF THE ACCOUNT

The 1974 Budget for Salaries and Expenses, ASCS, reflects the transfer of CCC funds used to carry out specific programs not covered by direct appropriation. In addition, it provides that funds made available to the Agricultural Stabilization and Conservation Service by other agencies for services in connection with various programs be advanced to and merged with this appropriation. These transfers consolidate all administrative funds used by ASCS into one account and provide clarity, better management, and control of such funds. The consolidation facilitates accounting, fiscal, and budgetary work by eliminating the necessity for making individual allocations and allotments and maintaining and recording obligations and expenditures under numerous separate accounts.

The following tabulation shows totals of this account for administrative expenses:

Project	1972	1973	1974
Obligations under direct appropriation and CCC transfers:			
ASCS .....	\$242,080,000	\$243,965,000	\$231,051,000
Forest Service .....	181,729	183,000	- -
Office of the General Counsel .....	29,528	32,000	32,000
Contingency reserve (CCC) .....	- -	<sup>a</sup> 2,866,000	<sup>a</sup> 2,944,000
Subtotal, direct appropriation and CCC transfers .....	242,291,257	<sup>b</sup> 247,046,000	234,027,000
Obligations under funds from other sources and consolidated with this account .....	13,681,401	13,900,000	11,900,000
Total .....	255,972,658	260,946,000	245,927,000
The above obligations are distributed by activities as follows:			
1. Formulating and appraising programs ..	4,105,811	3,976,000	3,998,000
2. Operating supply adjustment, conservation, and support programs .....	218,839,118	222,053,000	206,738,000
3. Managing and merchandising commodities and accounting for loans and commodities .....	33,027,729	32,051,000	32,247,000
Contingency reserve (CCC) .....	- -	<sup>a</sup> 2,866,000	<sup>a</sup> 2,944,000
Total .....	255,972,658	260,946,000	245,927,000

<sup>a/</sup> Available only upon release by the Office of Management and Budget.

<sup>b/</sup> Excludes funds withheld for travel savings, and funds for EMS.

Following is a brief description of the process for estimating requirements for Expenses, ASCS:

County Offices. A verification study is made in 160 counties to determine the actual time required to complete units of work by category. Time and units reported by verification counties are used to establish coefficients which are applied to units of work reported by each county for each category of work in each major program. This determines the normal man-days required for the workload involved. The workload for each major program is shown in Tables I and II and reflects changes in program requirements.

The proportionate change in normal man-days of required work from 1972 to 1973 was applied to the actual man-years used in 1972 to determine the estimated man-years for 1973. The estimated man-years for 1974 are a projection of the 1973 man-years based on the relationship of 1974 normal man-days to 1973 normal man-days.

The actual obligations for 1972, divided by the actual man-years, determined the average man-year cost for 1972. This cost was revised for 1973 and 1974 to reflect pay and related adjustments.

The computations used in the 1974 Budget for developing county office and total costs are as follows:

Fiscal Year 1972

Normal man-days (Table I) .....	3,773,384
Man-years for workload programs .....	15,719
Average cost per man-year .....	\$10,665
Obligations for weighted workload programs (county offices) ...	\$167,646,739
Obligations for other offices, unweighted programs of county offices, and allotment accounts .....	\$88,325,919
Total Obligations, Fiscal Year 1972 .....	<u>\$255,972,658</u>

Fiscal Year 1973

Normal man-days (Table I) .....	3,794,710
Man-year requirements for workload programs .....	15,808
Average cost per man-year .....	\$10,709
Obligations for weighted workload programs (county offices) ...	\$169,286,388
Obligations for other offices, unweighted programs of county offices, and allotment accounts .....	\$88,793,612
Total estimated obligations, fiscal year 1973 .....	\$258,080,000
Contingency reserve (CCC) .....	<u>\$2,866,000<sup>a</sup></u>
Total Obligations and Contingency Reserve, Fiscal Year 1973	<u>\$260,946,000</u>

Fiscal Year 1974

Normal man-days (Table I) .....	3,145,108
Man-year requirements for workload programs .....	13,102
Average cost per man-year .....	\$10,709
Obligations for weighted workload programs (county offices) ...	\$140,306,888
Obligations for other offices, unweighted programs of county offices, lump sum and severance pay, and allotment accounts .	\$102,676,112
Total estimated obligations, fiscal year 1974.....	\$242,983,000
Contingency reserve (CCC) .....	<u>\$2,944,000<sup>a</sup></u>
Total Obligations and Contingency Reserve, Fiscal Year 1974	<u>\$245,927,000</u>

<sup>a</sup> Available only upon release by the Office of Management and Budget.

Field offices and related National Office costs (CCC Administrative Expense Limitation). A work measurement system which has been in effect since 1952 is used for measuring past year accomplishments and projecting requirements for the Commodity Offices, the Data Processing Center, related parts of the Management Field Office and the National Office. The estimated volume of activity for each major commodity in terms of loans to be made, acquisitions and dispositions is developed by commodity specialists. This volume is converted to measurable units of work required to carry out these activities. The Field Offices report actual work units accomplished and man-years used, as well as the average salary paid.

Table III reflects volume by major activity. Table IV reflects the conversion of program by volume to work units, labor and fund requirements.

Other costs. Requirements for State Offices and the balance of costs for the National Office and Management Field Office are determined on the basis of past experience and available work measurement data.



### Reduced Manpower

The Agricultural Stabilization and Conservation Service has reduced many man-years of employment, since 1962, in the face of increased workload.

In addition to REAP, support loans and purchases, acreage allotments, marketing quotas, sugar, conservation reserve, and emergency programs, a number of new farm programs were introduced. For example, beginning in 1961 the emergency feed grain program was put into operation and an expanded wheat program with certificate payments beginning in 1964. In that same year, a one-price cotton program along with a domestic allotment plan was inaugurated. Subsequently, the cropland conversion, cropland adjustment, Appalachia, dairy and beekeeper indemnity payments, water bank, and the feed grain, wheat and cotton set-aside programs have been added.

All of these programs have required additional workload. However, man-years of employment have been reduced through the use of (1) specific limitations; (2) management surveys of offices in Washington, D.C. and field; and (3) work measurement. Through these controls, man-years of employment in 1972 have been reduced about 44 percent since 1962, at all levels.

AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE

SALARIES AND EXPENSES

Normal Man-days by Program

PROGRAM	FISCAL YEAR		
	1972 Actual	1973 Estimated	1974 Estimated
Rural Environmental Assistance Program .....	655,367	664,424	39,638
Sugar Act program .....	17,072	17,072	17,072
Tobacco program .....	105,459	97,614	113,225
Peanut program .....	18,136	16,165	16,165
Rice program .....	3,205	3,205	3,205
Cotton program .....	184,678	185,317	185,317
Wheat and Feed Grain program .....	715,041	715,923	715,923
Cropland conversion program .....	272	251	230
Cropland adjustment program .....	10,569	8,805	8,164
Water Bank Act .....	-	4,800	600
Appalachian Region conservation program .....	5,946	4,370	4,110
Compliance .....	651,269	709,766	712,041
Reconstitutions .....	242,555	242,555	242,555
Requests for reconsideration .....	62,875	62,875	62,875
Loan and support program .....	369,147	338,510	341,704
Grain storage structures program .....	57,915	49,180	42,030
Wool Act program .....	37,119	37,119	37,119
General Administration .....	475,168	475,168	441,544
Committee Elections .....	161,591	161,591	161,591
Totals .....	3,773,384	3,794,710	3,145,108

COUNTY OFFICE WORKLOAD DATA

TABLE II

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1972	1973	1974	1972	1973	1974
<u>REAP</u>						
A Request for cost-sharing .....	1,382,392	1,402,392	- -	414,991	420,998	- -
B Referrals for technical services ...	360,324	375,324	78,482	29,737	30,975	6,477
C Conservation materials and services orders .....	697,526	697,526	- -	49,664	49,664	- -
D Payment applications .....	867,167	877,167	183,412	156,780	158,592	33,161
E Pooling agreements .....	4,806	4,806	- -	4,195	4,195	- -
Total, REAP .....				655,367	664,424	39,638
<u>SUGAR BEETS</u>						
A Participating ownership tracts .....	42,426	42,426	42,426	5,060	5,060	5,060
B Sugar payments .....	27,482	27,482	27,482	5,962	5,962	5,962
C Acres measured for abandonment .....	40,503	40,503	40,503	1,197	1,197	1,197
Total, SUGAR BEETS .....				12,219	12,219	12,219
<u>SUGAR CANE</u>						
A Proportionate shares .....	5,411	5,411	5,411	1,808	1,808	1,808
B Participating ownership tracts .....	6,877	6,877	6,877	1,185	1,185	1,185
C Sugar payments .....	5,494	5,494	5,494	1,678	1,678	1,678
D Acres measured for abandonment .....	6,818	6,818	6,818	182	182	182
Total, SUGAR CANE .....				4,853	4,853	4,853

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS		NORMAL MAN-DAYS	
	1972	1973	1972	1974
<u>TOBACCO (FLUE-CURED)</u>				
A Tobacco allotments .....	192,916	192,916	7,678	7,678
B Lease and transfer of allotments ...	101,509	101,509	13,980	13,980
C Marketing cards .....	178,598	178,598	15,204	15,204
D Tobacco referendum .....	- -	- -	- -	8,379
E Tobacco Market Operations .....	907,987	907,987	11,393	11,393
Total, TOBACCO (FLUE-CURED) .....			48,255	56,634
<u>TOBACCO (EXCEPT FLUE-CURED)</u>				
A Tobacco allotments .....	337,678	337,678	14,873	14,873
B Transfer of allotments by owner, sale or lease .....	48,162	48,162	9,852	9,852
C Marketing cards .....	281,674	281,674	18,669	18,669
D Tobacco referendum .....	504,990	43,379	8,941	8,328
E Tobacco market operations .....	349,340	349,340	4,869	4,869
Total, TOBACCO (EXCEPT FLUE-CURED)			57,204	56,591
<u>PEANUTS</u>				
A Peanut allotments .....	99,800	99,800	5,404	5,404
B Allotments released and reapportioned .....	1,906	1,906	333	333
C Transfer of allotment .....	21,208	21,208	5,719	5,719
D Marketing cards .....	69,830	69,830	4,709	4,709
E Peanut referendum .....	88,167	- -	1,971	- -
Total, PEANUT PROGRAM .....			18,136	16,165
<u>RICE PROGRAM</u>				
A Rice allotments .....	15,993	15,993	1,563	1,563
B Allocation of allotments .....	9,394	9,394	1,057	1,057
C Allotments released and reappor- tioned .....	1,286	1,286	106	106
D Rice referendum .....	26,529	26,529	479	479
Total, RICE PROGRAM .....			3,205	3,205



COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS		NORMAL MAN-DAYS	
	1972	1973	1972	1974
<u>COTTON PROGRAM</u>				
A Farm acreage allotments .....	569,434	569,434	77,290	77,290
B Allotments released and reapportioned .....	79,442	79,442	4,827	4,827
C Transfer or exchange of upland or ELS cotton allotments .....	318,162	318,162	36,498	36,498
D Participating farms .....	282,857	285,483	66,063	66,702
Total, COTTON PROGRAM .....			184,678	185,317
<u>WHEAT AND FEED GRAIN PROGRAM</u>				
A Number of initial wheat allotments .	1,354,025	1,354,025	116,399	116,399
B Number of initial feed grain bases .	3,666,052	3,666,052	180,627	180,627
C Participating wheat and/or feed grain farms .....	2,783,491	2,791,674	403,635	404,517
D Stored excess wheat .....	8,115	8,115	2,067	2,067
E Final wheat payments .....	1,455,984	1,455,984	12,313	12,313
Total, WHEAT AND FEED GRAIN .....			715,041	715,923
<u>CROPLAND CONVERSION PROGRAM</u>				
A Request for agreement .....	- -	- -	- -	- -
B Agreement .....	1,593	1,456	258	220
C Cost-sharing .....	36	35	14	10
Total, CROPLAND CONVERSION .....			272	230
<u>CROPLAND ADJUSTMENT PROGRAM</u>				
A Request for agreement .....	- -	- -	- -	- -
B Agreement .....	47,224	37,934	10,049	7,644
C Cost-sharing .....	1,589	1,589	520	520
Total, CAP .....			10,569	8,164

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1972	1973	1974	1972	1973	1974
<u>WATER BANK ACT PROGRAM</u>						
A Request for agreement .....	- -	3,000	- -	- -	4,200	- -
B Agreement .....	- -	3,000	3,000	- -	600	600
Total, WATER BANK ACT PROGRAM .....				- -	4,800	600
<u>APPALACHIAN REGION CONSERVATION PROGRAM</u>						
A Request for contract .....	805	- -	- -	1,330	- -	- -
B Cost-share contract .....	10,558	9,943	9,360	1,949	1,857	1,748
C Cost-sharing .....	6,051	5,697	5,360	2,667	2,513	2,362
Total, ARCP .....				5,946	4,370	4,110
<u>COMPLIANCE</u>						
A Report of acreage .....	7,737,030	8,449,703	8,476,830	327,545	355,310	356,453
B Notice of measured acreage .....	538,571	582,192	584,058	99,393	107,426	107,790
C Report of acreage by post card .....	785,571	902,893	905,793	33,370	37,759	37,880
D Farm visits - under 2.0 acres .....	43,649	47,060	47,213	8,442	9,085	9,114
E Farm visits - 2.0 thru 5.99 acres ..	81,709	83,169	83,436	15,634	16,040	16,091
F Farm visits - 6.0 thru 9.99 acres ..	66,162	69,237	69,457	15,444	16,169	16,220
G Farm visits - 10.0 thru 19.99 acres	102,087	107,121	107,462	20,973	22,053	22,123
H Farm visits - 20.0 thru 49.99 acres	103,444	115,012	115,380	23,612	26,133	26,217
I Farm visits - 50.0 thru 99.99 acres	53,243	64,282	64,487	13,506	15,965	16,016
J Farm visits - 100.0 thru 199.99 "	33,043	40,642	40,772	9,617	11,607	11,644
K Farm visits - 200.0 thru 499.9 "	17,746	21,219	21,285	7,985	9,585	9,615
L Farm visits - 500.0 thru 999.99 "	4,327	5,283	5,299	2,909	3,621	3,632
M Farm visits - 1000.0 and over .....	1,095	1,284	1,288	1,539	1,874	1,880
N Spot checks .....	336,347	365,518	366,689	71,300	77,139	77,386
Total, Compliance .....				651,269	709,766	712,041
<u>RECONSTITUTIONS</u>						
A Basic data for farm reconstitutions	479,035	479,035	479,035	195,397	195,397	195,397
B Allotments, soil bank and feed grain bases .....	1,179,164	1,179,164	1,179,164	47,158	47,158	47,158
Total, RECONSTITUTIONS .....				242,555	242,555	242,555

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1972	1973	1974	1972	1973	1974
<u>REQUESTS FOR RECONSIDERATION</u>						
A Allotments and/or feed grain bases . .	44,392	44,392	44,392	10,506	10,506	10,506
B Yields . . . . .	79,511	79,511	79,511	18,828	18,828	18,828
C Conserving bases . . . . .	93,144	93,144	93,144	18,349	18,349	18,349
D All other appeals or requests for reconsideration . . . . .	68,432	68,432	68,432	15,192	15,192	15,192
Total, Requests for Reconsideration . . . . .				62,875	62,875	62,875
<u>SUPPORT PROGRAM</u>						
A Commodity loan reinspections . . . . .	565,872	447,462	474,849	33,631	25,872	27,456
B Commodity loan repayments and reconcentration settlements . . . . .	436,769	497,105	435,468	54,588	62,789	55,004
C Cotton loan repayments . . . . .	247,316	289,360	289,360	1,433	1,675	1,675
D Farm-stored loan takeover and purchases . . . . .	57,443	25,146	30,718	17,719	8,243	10,070
E Farm-stored resale and continued resale commodity loans . . . . .	146,428	166,000	166,000	33,412	36,377	36,377
F Extended warehouse loans . . . . .	25,772	34,000	34,000	1,454	1,532	1,532
G Warehouse loans acquired (except cotton) . . . . .	59,514	11,173	13,022	1,412	386	450
H Reconcentration of warehouse-stored loans (except cotton) . . . . .	3,567	4,273	4,273	568	654	654
I Cotton warehouse loans acquired . . .	3,424	340	340	314	31	31
J Farm storage facility and/or drier loans . . . . .	44,229	46,371	46,371	44,486	45,644	45,644
K Reconcentration of cotton warehouse loans . . . . .	14	-	-	2	-	-
L Active facility and drier loans . . . .	101,613	117,306	117,306	20,514	22,728	22,728
Total, SUPPORT PROGRAM . . . . .				209,533	205,931	201,621

COUNTY OFFICE WORKLOAD DATA

PROGRAM AND WORKLOAD ITEM	WORKLOAD UNITS			NORMAL MAN-DAYS		
	1972	1973	1974	1972	1973	1974
<u>LOAN SERVICE CHARGES</u>						
A Farm storage commodity loans .....	325,349	257,162	272,902	124,524	96,526	102,434
B Warehouse loans (except cotton) .....	184,537	144,653	153,507	33,894	26,078	27,674
C Cotton warehouse loans initially prepared by county office personnel .....	1,560	13,000	13,000	366	3,051	3,051
D Cotton warehouse loans initially prepared by other than county office personnel .....	7,054	59,000	59,000	830	6,924	6,924
Total, LOAN SERVICE CHARGES .....				159,614	132,579	140,083
<u>CCC GRAIN STORAGE STRUCTURES</u>						
A Maintenance of sites and structures . , Total, CCC Grain Storage Structures	88,601	74,886	64,000	57,915	49,180	42,030
				57,915	49,180	42,030
<u>WOOL ACT PROGRAM</u>						
A Application for payment .....	268,948	268,948	268,948	37,119	37,119	37,119
Total, WOOL ACT PROGRAM .....				37,119	37,119	37,119
<u>GENERAL ADMINISTRATION</u>						
A Administrative checks issued .....	1,139,611	1,139,611	1,055,837	457,399	457,399	423,775
B Defense Operations .....	21,439	21,439	21,439	17,769	17,769	17,769
Total, GENERAL ADMINISTRATION .....				475,168	475,168	441,544
<u>COMMITTEE ELECTIONS</u>						
A Committeemen .....	67,075	67,075	67,075	161,591	161,591	161,591
Total, COMMITTEE ELECTIONS .....				161,591	161,591	161,591
TOTAL NORMAL MAN-DAYS .....				3,773,384	3,794,710	3,145,108



COMMODITY CREDIT CORPORATION  
Summary of Major Program Volume by Commodity  
(In thousands)

TABLE III

Item or Commodity	1972 Actual	1973 Estimate	1974 Estimate	Increase (+) or Decrease (-)	
				Quantity	Percent
<b>1. LOANS MADE</b>					
Cotton (bales) .....	1,250	3,035	3,038	+3	+1
Corn (bu.) .....	941,799	600,000	500,000	-100,000	-16
Grain sorghums (bu.) .....	154,398	50,000	45,000	-5,000	-10
Wheat (bu.) .....	445,580	200,000	270,000	+70,000	+35
Soybeans (bu.) .....	168,225	100,000	225,000	+125,000	+125
Rice, rough (cwt.) .....	31,227	25,000	29,000	+4,000	+16
Other grains (bu.) 1/ ..	198,085	131,800	186,800	+55,000	+42
<b>2. ACQUISITIONS</b>					
Cotton (bales) .....	12	-	44	+44	+100
Dairy products (lb.) .....	790,640	521,600	496,000	-25,600	-5
Corn (bu.) .....	83,061	38,191	53,000	+14,809	+39
Grain sorghums (bu.) .....	582	2,229	-	-2,229	-100
Wheat (bu.) .....	54,498	65,000	63,000	-2,000	-3
Soybeans (bu.) .....	146	-	-	-	-
Rice (cwt.) .....	8,171	1,651	4,400	+2,749	+167
Other grains (bu.) 1/ ..	66,775	108,318	44,150	-64,168	-59
<b>3. DISPOSITIONS</b>					
Cotton (bales) .....	384	1	24	+23	+2,300
Dairy products (lb.) 2/ ..	857,645	545,682	500,100	-45,582	-8
Corn (bu.) .....	20,003	150,400	40,000	-110,400	-63
Grain sorghums (bu.) .....	32,629	35,008	10,000	-25,008	-61
Wheat (bu.) .....	56,966	407,417	38,000	-369,417	-91
Soybeans (bu.) .....	3,018	-	-	-	-
Rice (cwt.) .....	14,576	4,618	-	-4,618	-100
Other grains (bu.) 1/ ..	82,678	153,800	62,450	-91,350	-59
<b>4. ENDING INVENTORIES</b>					
Cotton (bales) .....	24	23	43	+20	+87
Dairy products (lb.) 2/ ..	223,408	199,326	195,226	-4,100	-2
Corn (bu.) .....	155,209	43,000	56,000	+13,000	+30
Grain sorghums (bu.) .....	45,779	13,000	3,000	-10,000	-77
Wheat (bu.) .....	367,417	25,000	50,000	+25,000	+100
Soybeans (bu.) .....	-	-	-	-	-
Rice (cwt.) .....	2,967	-	4,400	+4,400	+100
Other grains (bu.) 1/ .....	249,682	204,200	185,900	-18,300	-9

1/ Includes barley, oats, rye, flaxseed and dry edible beans.

2/ Includes butter, cheese and nonfat dry milk.

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	FISCAL YEAR 1973		FISCAL YEAR 1974	
			TOTAL UNITS	UNITS TO BE PROCESSED PERMAN-YEAR	TOTAL UNITS	UNITS TO BE PROCESSED PERMAN-YEAR
	<b>DIRECT LABOR</b>					
	<b>PROGRAM ACTIVITIES</b>					
01	Storage Management	Document	8,265	544	8,265	544
02	Tariff and Section 22 Quotations	Tariff, Supp., Quotation	54,120	36,080	54,120	36,080
03	Tobacco Allotments and Sales	Allots. and Sales Doc.	1,750,000	147,058	1,750,000	147,058
05	Audit of Tonnage	Carlot	43,559	6,550	43,559	6,550
06	Periodic Storage and Other Payments	Invoice or Draft	109,000	5,824	109,000	6,000
07	Settlements	Carlot or Bale	280,275	9,867	227,382	8,745
10	CCC Bins and Equipment	Transaction	15,000	6,250	15,000	6,250
11	Loading Orders Issued or Notices to Deliver	Carlot, ND	315,796	6,458	251,082	5,707
12	Recordation of Transit	Freight Bill	108,528	16,444	108,528	16,444
13	Reconcentration Orders Issued, Cotton	Bales	-	-	-	-
14	Deliveries	B/L or Del. Recpt.	310,777	5,965	247,191	5,215
15	Freight Payments, All Commodities	Freight Bill	304,785	7,291	268,059	6,999
16	Post Audit of Freight Bills	Paid Freight Bill	50,189	19,303	50,189	19,303
17	Public Law 480	Supplier's Invoice	4,000	286	4,200	286
18	Export Payments	Application for Payment	30,000	2,740	20,000	2,740
20	CCC Storage	Transaction, Line Item	14,000	8,750	12,000	8,750
21	Purchases	Carlot	65,388	5,008	59,977	5,008
	Purchase Payments	Carlot	65,388	2,700	59,977	2,700
	Cotton	Bale	7,000	16,667	15,000	16,667
22	Sales and Donations	Carlot	152,275	5,393	118,143	5,393
	Grain & Bulk Commodities	Carlot	61,654	5,364	55,677	5,364
	Processed Commodities	Carlot	16,200	1,653	16,200	1,653
26	Freight Forwarding	Shipping Authorization	559,108	10,670	610,324	10,670
	Grain Etc.	Note	1,440,000	158,987	1,064,000	158,987
27	Commodity Loans Made	Cotton Form A	2,600,000	583,500	1,976,000	583,500
	Cotton Form G	Bale	35,000	15,217	35,000	15,217
28	Storage Facility & Equipment Loans Made	Draft	497,105	62,321	440,530	62,321
30	Commodity Loans Repaid	Item on Form CCC-500	2,835,000	461,167	3,127,000	461,167
	Cotton	CCC-813 or G-2 Summary	88,000	58,667	88,000	58,667
31	Storage Facility & Equipment Loans Repaid	Item on Form CCC-500	25,146	4,274	30,718	4,274
32	Commodity Acquisition Farm Stored	Settlement Documents				

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	FISCAL YEAR 1973			FISCAL YEAR 1974		
			TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS
33	Warehouse Stored	Grain	11,173	56,204	.2	13,022	56,204	.2
		Cotton Form A	3,000	30,000	.1	6,750	30,000	.2
		Cotton Form C	3,000	20,000	.2	8,250	20,000	.4
36	Sight Drafts or PIK Certificates	Sight Draft or Certificate	6,351,356	267,990	23.7	6,351,356	267,990	23.7
37	Producer Payments Reporting	Scanned Line	800,000	106,667	7.5	800,000	106,667	7.5
38	Feed Grain, Wheat & Cotton Div. Programs	Data Sheet	6,000,000	983,607	6.1	6,000,000	983,607	6.1
40	Wheat Certificate Program	Processor Report	15,060	3,765	4.0	15,060	3,765	4.0
41	Field Contacts	Contact	1,087	78	13.9	1,087	78	13.9
42	County Office Administrative Exp. System	MAN-YEARS	-	-	-	-	-	-
43	County Office Workload & Fund Allocation	Line Item (Record)	-	-	-	-	-	-
44	Reports	Report	9,143	476	19.2	9,143	476	19.2
46	Claims	Claim Doc. or Register	10,077	448	22.5	10,077	448	22.5
47	Wool Applications and Reporting	Application for Payment	-	-	-	-	-	-
48	Accounts Receivable	Item	19,686	1,857	10.6	19,686	1,857	10.6
49	Cash Receipts	Cash Item or Schedule	456,506	37,419	12.2	456,506	37,419	12.2
50	Appropriated Fund Data Processing Serv.	Cards	-	-	-	-	-	-
	MISCELLANEOUS	MAN-YEARS	-	-	11.6	-	-	2.9
	TOTAL PROGRAM ACTIVITIES	MAN-YEARS	-	-	572.2	-	-	536.9
57.1	ADP Systems Analysis	Program	933	25	37.3	1,058	25	42.3
57.2	Initial System Design	Program Modification	1,362	93	14.6	1,362	93	14.6
57.3	Systems Maintenance	MAN-YEARS	-	-	22.9	-	-	27.9
	Other		-	-	-	-	-	-
58.1	Programming	Program	740	19	38.9	1,024	19	53.9
58.2	Initial Programming	Program Modification	1,860	71	26.2	2,001	71	28.2
58.3	Programming Maintenance	MAN-YEARS	-	-	11.0	-	-	13.0
	Other		-	-	-	-	-	-
	Computer Operations and Control		-	-	-	-	-	-
59.1	Computer Operations	Log Entry or Set-Up	138,215	3,508	39.4	148,736	3,508	42.4
59.2	Job Card Writing	Log Entry or Set-Up	162,553	17,863	9.1	198,284	17,863	11.1
59.3	Library Operations	Reel	282,596	37,679	7.5	282,596	37,679	7.5
59.4	Machine Utilization Recording	Log Entry or Set-Up	138,683	60,297	2.3	138,683	60,297	2.3
59.5	Other	MAN-YEARS	-	-	1.2	-	-	1.2
	TOTAL AUTOMATIC DATA PROCESSING ACTIVITIES	MAN-YEARS	-	-	210.4	-	-	244.4

CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

WORK ITEM NO.	ACTIVITY	UNIT OF MEASURE	FISCAL YEAR			FISCAL YEAR		
			1973			1974		
			TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS	TOTAL UNITS	UNITS TO BE PROCESSED PER MAN-YEAR	MAN-YEARS
<b>Personnel Work</b>								
60.1	Employment	Forms SF-52, AD-352	964	332	2.9	964	332	2.9
60.2	Employee Relations and Development	Case	635	488	1.3	635	488	1.3
<b>Budget and Management Analysis</b>								
61.1	Management Projects and Studies	Project or Study	1,052	44	23.9	1,052	44	23.9
61.2	Procedure Development and Maintenance	Item ( <i>Procedural</i> )	477	30	15.9	477	30	15.9
61.3	Other	MAN-YEARS			6.6			6.6
62	Mail and Messenger Service	Piece of Mail	7,902,310	1,795,980	4.4	7,902,310	1,795,980	4.4
<b>Miscellaneous Administrative Activities</b>								
63.1	Records Management	Job	208,440	138,960	1.5	208,440	138,960	1.5
63.2	Reproduction	Job	55,835	8,092	6.9	55,835	8,092	6.9
63.3	Other Administrative Activities	MAN-YEARS	6,669	702	9.5	6,669	702	9.5
<b>TOTAL ADMINISTRATIVE ACTIVITIES</b>								
		MAN-YEARS			72.9			72.9
<b>TOTAL DIRECT LABOR, LESS LEAVE</b>								
		MAN-YEARS			855.5			854.2
65	LEAVE, DIRECT LABOR ( %)	MAN-YEARS			157.3			158.6
<b>TOTAL DIRECT LABOR</b>								
		MAN-YEARS			1,012.8			1,012.8
66	TOTAL INDIRECT LABOR	MAN-YEARS			93.3			93.3
<b>TOTAL LABOR</b>								
		MAN-YEARS			1,106.1			1,106.1



CONVERSION OF PROGRAM VOLUME TO WORK UNITS, LABOR AND FUND REQUIREMENTS

Page 4

Activity	Fiscal Year 1973		Fiscal Year 1974	
	Est. Cost	Man-Years	Est. Cost	Man-Years
Total Commodity Offices and Data Processing Centers .....				
Management Field Offices .....		1,106.1		1,106.1
Total .....		72.0		72.0
		1,178.1		1,178.1
Average Salary .....	\$12,111		\$12,230	
Personnel Compensation .....	14,267,969		14,408,163	
Less Man-Years Overtime .....		19.0		19.0
Total Object 12 - 26 .....	4,046,123		4,051,662	
Total All Objects .....	18,314,092	1,159.1	18,459,825	1,159.1
Washington Divisions & Offices .....	12,032,908	352.0	13,525,175	352.0
Use of Reserve (ASCS) for Pay & Related Costs .....	--		--	
Transfer to AMS .....	(30,347,000)	1,511.1	(31,985,000)	1,511.1
Transfer to EMS .....	2,857,000		3,041,000	
	3,830,000		3,830,000	
Total Estimated Obligations .....	37,034,000		38,856,000	
Reserve:				
Contingency .....	2,866,000		2,944,000	
Limitation .....	39,900,000		41,800,000	



## STATUS OF PROGRAM

This account includes funds to cover expenses of programs administered by, and functions assigned to, the Agricultural Stabilization and Conservation Service. The funds consist of direct appropriation, transfers from Commodity Credit Corporation, and miscellaneous advances and reimbursements from other sources. This consolidated account pays for all operating expenses for administering the Agricultural Stabilization and Conservation Service programs.

Responsibility for administration of ASCS farm programs in the field is vested in Agricultural Stabilization and Conservation (ASC) farmer-committees. ASC State committees consist of from three to five farmer members appointed by the Secretary of Agriculture for a period of one year. ASC county and community committees are elected by farmers who are participating or eligible to participate in any ASCS program.

Commodity offices have management responsibility for the proper storage, merchandising, and accounting for CCC-owned inventory. They initiate movements as necessary from local storage points to interior and terminal warehouses. They eventually sell or otherwise dispose of these commodities in the best interests of the taxpayer. The data processing center at Kansas City provides data processing and accounting services for the entire agency.

The principal activities of the Service include set-aside programs, production adjustment programs, conservation programs, support programs and other related activities.

There follows a brief description of some of the major programs for which this Agency is responsible and the volume of work performed in fiscal year 1972.

Acreage allotments and marketing quotas. In accordance with the provisions of the Agricultural Adjustment Act of 1938 and its later amendments, allotment-quota programs for 1972 crops were in effect for rice, peanuts, extra long staple cotton, and most types of tobacco; and allotments were in effect for wheat and upland cotton. The Agricultural Act of 1970 suspended quotas for wheat and upland cotton for 1971, 1972, and 1973. Quotas were never in effect for corn, and the quota authority for corn was repealed in 1954; corn allotments ended with the 1958 crop. No marketing quota program can be put into effect without the approval of at least two-thirds of the producers voting in a national referendum. A special marketing quota program for flue-cured tobacco provides poundage quotas as well as acreage allotments when approved by more than two-thirds of the farmers voting in a referendum. In 1972, a program of poundage quotas only was in effect for burley tobacco. In fiscal year 1972 referendums were held and quotas approved for rice, peanuts, and cigar filler and binder (types 42-44 and 51-55) tobaccos.

	<u>Number of allotments</u>
Tobacco .....	530,594
Peanuts .....	99,800
Cotton .....	569,434
Rice .....	15,993

Rural Environmental Assistance program. This program is carried out under the authority contained in sections 7 to 16(a), inclusive, and section 17 of the Soil Conservation and Domestic Allotment Act, as amended. The objectives, as stated in such Act, include (1) restoring and improving soil fertility, (2) reducing erosion caused by wind and water, and (3) conserving water on the land.

Cost-sharing assistance is made available to farmers and ranchers in the 50 States, Puerto Rico, and the Virgin Islands for carrying out approved soil-building and soil- and water-conserving practices on their farms. Federal assistance represents only a part of the cost of carrying out the practice. The farmer bears the balance of the cost and in addition, furnishes the labor and management necessary to carry out the practice.

Activities in fiscal year 1972 included the following:

Number of requests for cost-sharing .....	1,382,392
Number of conservation materials and services orders .....	697,526
Number of referrals for technical service .....	360,324
Number of approvals, performance reports, and applications for payment .....	867,167
Number of pooling agreements .....	4,806

Sugar Act program. The Sugar Act of 1948, as amended, is designed to (1) protect the welfare of the domestic sugar industry, (2) to provide adequate supplies of sugar for consumers at fair prices, and (3) to promote international trade.

Sugarcane is produced on the mainland in Louisiana and Florida. The off-shore domestic sugar cane area consists of Hawaii and Puerto Rico. The sugar beet producing area includes 21 States.

Participating ownership tracts .....	49,303
Estimated planted acreage .....	2,298,100

Feed Grain, wheat, and cotton programs. The Agricultural Act of 1970 authorized set-aside programs for feed grains, wheat, and cotton for 1971-1973 crops. The main objectives of these programs are to assure consumers continued abundant supplies of food and fiber at fair and reasonable prices while improving farm income, affording producers more opportunity to produce the crops of their choice, encouraging market growth at home and abroad, and providing administrative flexibility to assure effective program operation while keeping down government costs.

Number of participating farms (1972 crop):	
Feed Grain and Wheat .....	2,783,491
Cotton .....	282,857

Support program. Support is mandatory for the commodities designated as "basic" in the Agricultural Adjustment Act of 1938, as amended - tobacco, peanuts, cotton, wheat, corn, and rice. Mandatory nonbasic commodities include barley, oats, rye, grain sorghums, tung nuts and oil, honey, milk, butterfat, and the products of milk and butterfat. The Secretary is also authorized to make support available on other than mandatory nonbasic commodities. Support is available to producers through loans, payments, and purchases.

Activities under the program include reinspection of farm-stored loans, processing loan repayments, acquiring commodities, and the sale of grain under the livestock feed program.

Support program activities in fiscal year 1972 included:

Number of support loans .....	1,672,296
Number of loan repayments and reconcentration settlements ...	436,769
Reinspection of farm-stored loans .....	565,872
Number of farm-stored loans taken over .....	57,443
Number of reseals .....	146,428
Number of warehouse loans acquired (except cotton) .....	59,514

Wool Act program. This is an incentive program to increase the annual domestic production of wool. The National Wool Act of 1954 authorized the program as a measure for national security and in promotion of the general welfare. The Agricultural Act of 1970 extended the program and established incentive prices for 1971-1973.

Payments are set at a level to bring the national average price received by all producers up to the national price of 72¢ per pound, shorn wool grease basis.



Number of applications for payment .....	268,948
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CCC-owned storage facilities. This program is authorized under the CCC Charter Act. Every effort is made to make maximum use of commercial facilities in the storage of CCC-owned commodities. However, when private facilities are inadequate, Government facilities for storing CCC-owned commodities, primarily grain, are utilized.

Number of structures (as of June 30, 1972) .....	71,610
Number of bushels in storage (as of June 30, 1972) .....	40,276,000

Under this program, Government-owned structures not needed are temporarily rented to farmers for their use, or are sold to farmers and nonprofit organizations. In the fiscal year 1972, 15,250 structures, with a capacity of 62.7 million bushels, were transferred or sold on a sealed bid or public auction basis.

Farm storage facility program. Under this program recourse loans are made to help farmers finance storage facilities and equipment on their own farms.

Number of active facility and dryer loans (as of June 30, 1972) .....	44,229
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Cropland conversion program. Section 101 of the Food and Agriculture Act of 1962 provided for carrying out this program under which farmers entered into long-term contracts to convert cropland to conserving uses. This land is shifted to income-producing pasture, farm forests, water storage, wildlife habitat, and outdoor recreational enterprises.

The program, offered to farmers during the years 1963 through 1967, provides adjustment payments, land treatment practice cost-sharing, and related technical assistance under 3-year to 10-year agreements.

Number of agreements .....	1,593
Requests for cost-sharing .....	36

Cropland adjustment program. Under this program, authorized by the Food and Agriculture Act of 1965, farmers entered into long-term agreements to convert cropland from production of certain crops to more needed uses that will promote the development and conservation of our soil, water, forest, wildlife and recreational resources. The authorization for the program expired December 31, 1970.

Number of agreements .....	47,224
Requests for cost-sharing .....	1,589



(b) Sugar Act Program

Appropriation Act, 1973 .....	\$84,500,000
Budget Estimate, 1974 .....	89,500,000
Increase .....	<u>+5,000,000</u>

PROJECT STATEMENT  
(On basis of appropriation)

Project	1972	1973 (estimated)	Increases and Decreases	1974 (estimated)
Payments to sugar producers:				
a. Continental beet area ....	\$56,027,226	\$51,610,000	+\$2,380,000 (1)	\$53,990,000
b. Continental (Louisiana- Florida) cane area .....	14,711,453	18,600,000	+1,200,000 (2)	19,800,000
c. Texas cane area .....	- -	- -	+1,200,000 (3)	1,200,000
d. Offshore cane area .....	15,261,321	14,290,000	+220,000 (4)	14,510,000
Total, appropriation or estimate .....	86,000,000	84,500,000	+5,000,000	89,500,000

INCREASES AND DECREASES

The increase of \$5,000,000 in payments is comprised of the items shown below.

(1) An increase of \$2,380,000 for payments to producers in the continental beet area (\$51,610,000 available in 1973). The 1973 crop production is estimated at 3,500,000 short tons, raw value, the same as the 1972 crop estimate. The estimate provides \$6,629,464 to complete payments on the 1972 crop, plus payments totaling \$47,360,536 on the 1973 crop. An estimated \$9,619,464 in payments on the 1973 crop which will be earned near or after the close of the fiscal year will be included in the estimate for fiscal year 1975. No restrictive proportionate shares have been established on the 1973 sugarbeet crop.

(2) An increase of \$1,200,000 for payments to producers in the continental Louisiana-Florida) cane area (\$18,600,000 available in 1973). The 1973 crop production is estimated at 1,650,000 short tons, raw value, about 100,000 tons more than the 1972 crop estimate. The budget estimate provides for payments of \$19,800,000 on the 1973 crop. Restrictive proportionate shares have been established on the 1973 crop in the Louisiana-Florida cane area.

(3) An increase of \$1,200,000 for payments to producers in the newly established cane area in Texas. Production will begin with the 1973 crop and is estimated at 100,000 short tons, raw value.

(4) An increase of \$220,000 for payments to producers in the offshore cane area (\$14,290,000 available in 1973). The 1973 crop production in Hawaii is estimated at 1,155,000 short tons, raw value, which is 30,000 tons more than the area's 1972 production estimate. The 1973 crop in Puerto Rico is estimated at 300,000 short tons, the same as the 1972 crop estimate.

Tax collections exceed total obligations by \$684.7 million for fiscal years 1938 through 1972.

Total sugar production from 1973 crops is estimated at 6,705,000 short tons, raw value. This is an increase of 230,000 tons over the estimated total production for the 1972 crops. Production estimates for the 1973 crop are based upon an analysis and consideration of the following factors:

- (a) Statistical Reporting Service crop reports;
- (b) Effective inventory of sugar on January 1, 1972;
- (c) Probable production and consumption of sugar during 1972;
- (d) Prospective effective sugar inventory on January 1, 1973;
- (e) Prospective level of consumers sugar requirements for the calendar year 1973; and
- (f) Quota provisions of the Sugar Act.

To estimate payment requirements for the 1973 crop, each area's estimated production was multiplied by its average rate of payment per ton of sugar produced from recent crops. These crops were selected, for each producing area, on the basis of normal crop conditions having prevailed.

The number of payees under the Sugar Act program is shown in Table I. The estimate for the 1973 crop program compared with prior year data by areas on tonnage, production, total payments and average payments per ton is shown in Table II.

The method of financing payments to producers is shown by crop years and fiscal years in Table III.

NUMBER OF PAYEES

Table I

	1971 Crop	1972 Crop (est.)	1973 Crop (est.)
Continental beet area .....	26,771	26,730	26,730
Continental (Louisiana-Florida) cane area .....	5,064	5,064	5,064
Texas cane area .....	- -	- -	200
Hawaii .....	590	590	590
Puerto Rico .....	4,318	3,400	2,700
Total .....	36,743	35,784	35,284



Sugar Program Data 1971-1973 Crop Years

Table II

Area	1971 Crop Year (Actual)	1972 Crop Year (Estimated)	1973 Crop Year (Estimated)	Increase (+) or Decrease (-) 1973 Crop Compared with 1972 Crop
<u>Beet Area</u>				
Tons produced	3,517,000	3,500,000	3,500,000	-
Total payments	\$56,810,000	\$56,980,000	\$56,980,000	-
Payment per ton	\$16.153	\$16.280	\$16.280	-
<u>Louisiana-Florida Cane Area</u>				
Tons produced	1,204,000	1,550,000	1,650,000	+100,000
Total payments	\$14,711,453	\$18,600,000	\$19,800,000	+\$1,200,000
Payment per ton	\$12.219	\$12.000	\$12.000	-
<u>Texas Cane Area</u>				
Tons produced	-	-	100,000	+100,000
Total payments	-	-	\$1,200,000	+\$1,200,000
Payment per ton	-	-	\$12.000	+\$12,000
<u>Hawaii</u>				
Tons produced	1,231,000	1,125,000	1,155,000	+30,000
Total payments	\$10,722,466	\$10,000,000	\$10,220,000	+\$220,000
Payment per ton	\$8.710	\$8.889	\$8.848	-\$0.041
<u>Puerto Rico</u>				
Tons produced	324,000	300,000	300,000	-
Total payments	\$4,538,855	\$4,290,000	\$4,290,000	-
Payment per ton	\$14.009	\$14.300	\$14.300	-
<u>Total</u>				
Tons produced	6,276,000	6,475,000	6,705,000	+230,000
Total payments	\$86,782,774	\$89,870,000	\$92,490,000	+\$2,620,000
Payments per ton	\$13.828	\$13.880	\$13.794	-\$0.086

TABLE III

## SUGAR PROGRAM FINANCIAL REQUIREMENTS

	1972 Appropriation 122/33305	1973 Appropriation 123/43305	1974 Appropriation 124/53305	1975 Appropriation 125/63305	Total
<u>1970 Sugar Program:</u>					
<u>Payments to producers:</u>					
Continental Sugar Beet Area .....	\$476,690				\$476,690
Total .....	476,690				476,690
<u>1971 Sugar Program:</u>					
<u>Payments to producers:</u>					
Continental Sugar Beet Area .....	55,550,536	\$1,259,464			56,810,000
1/ Continental Sugar Cane Area .....	14,711,453				14,711,453
Hawaii .....	10,722,466				10,722,466
Puerto Rico (1970-1971) .....	4,538,855				4,538,855
Total, 1971 program payments .....	85,523,310	1,259,464			86,782,774
<u>1972 Sugar Program:</u>					
<u>Payments to producers:</u>					
Continental Sugar Beet Area .....		50,350,536			56,980,000
1/ Continental Sugar Cane Area .....		18,600,000	\$6,629,464		18,600,000
Hawaii .....		10,000,000			10,000,000
Puerto Rico (1971-1972) .....		4,290,000			4,290,000
Total, 1972 program payments .....		83,240,536	6,629,464		89,870,000
<u>1973 Sugar Program:</u>					
<u>Payments to producers:</u>					
Continental Sugar Beet Area .....				\$9,619,464	56,980,000
Louisiana-Florida Sugar Cane Area .....			47,360,536		19,800,000
Texas Sugar Cane Area .....			1,800,000		1,200,000
Hawaii .....			10,220,000		10,220,000
Puerto Rico (1972-1973) .....			4,290,000		4,290,000
Total, 1973 program payments .....			82,870,536	9,619,464	92,490,000
Total Conditional Payments to Producers .....	86,000,000	84,500,000	89,500,000		
Total, Appropriation or Estimate .....	86,000,000	84,500,000	89,500,000		

1/ Louisiana and Florida.

## STATUS OF PROGRAM

The Sugar Program has a three-fold purpose:

To protect the welfare of the U. S. sugar industry.

To provide U. S. consumers with ample supplies of sugar at reasonable prices.

To promote and strengthen the export trade of the United States.

Receipts. Receipts under the sugar program exceed government outlays. The Sugar Act, through an amendment to the Internal Revenue Code, imposes a tax of 50 cents per hundred pounds of sugar, raw value, on all beet or cane sugar processed in or imported into the continental United States for direct-consumption. The excise tax on sugar, under Public Law 92-138, was extended to June 30, 1975.

Table I shows taxes collected compared with obligations under the sugar program.

The U. S. Sugar Act has five main features:

1. Setting U. S. Sugar Requirements. The quantity of sugar needed to maintain adequate supplies at reasonable prices for U. S. consumers and to assure fair prices to U. S. producers is determined for each year by the Secretary of Agriculture.
2. Establishing Sugar Quotas. This yearly sugar requirement is divided among specified domestic and foreign producing areas through quotas assigned to each.

Sugar requirements and quotas for the calendar years 1971 and 1972 are shown in Table II.

3. Providing Marketing Allotments. Within domestic quotas, allotments are established for domestic processors, when needed, to keep the sugar movements orderly in the marketing channels. For calendar year 1972, the mainland cane sugar area quota, the domestic beet sugar area quota, and the direct-consumption portion of the mainland quota for Puerto Rico, were allotted.
4. Setting Farm Proportionate Shares. Domestic farm production is limited, as needed, to the acreage required to produce the sugar needed to meet domestic quotas and to maintain sugar inventories. When it is determined that production plus carryover is likely to be greater than needed, restrictive proportionate shares are established for each farm. Restrictive proportionate shares have been established for the Mainland Cane Sugar Area (Louisiana and Florida) for the 1972 and 1973 crops.
5. Making Conditional Payments to Producers. Payments are made to producers to compensate them for adjusting their production. In addition to providing an incentive to growers to adjust their production to quota and carryover needs, the payments have three objectives: (a) to help growers obtain adequate income for sugarcane and sugar beet production; (b) to assure growers and their field workers a fair share of the returns to the sugar industry; and (c) to prevent the employment of child labor in field work on sugar crops.

Special conditional payments are also authorized for crop deficiency or abandonment of planted acreage caused by natural disasters.

Conditional payments on the 1971 crops totaled \$86,782,774. Payments were made to 36,743 sugarbeet and sugarcane producers. These producers were located in 21 States and Puerto Rico.

Domestic Sugar Prices. An important purpose of the law is to stabilize U. S. sugar prices. The law was first enacted following a history of wildly fluctuating and disastrously low prices in the United States. The charts on the following page shows that the Act has been effective in stabilizing U. S. prices. During the periods of tight supplies and soaring prices in the world market (1963 and 1972) United States prices did not rise sharply until after world prices skyrocketed. Then they were maintained at levels below world prices. They returned to more normal levels, while world prices declined drastically. For example, the monthly spot prices of raw sugar, duty paid and delivered at New York averaged 7.90, 8.26 and 8.79 cents per pound, respectively, during fiscal years 1970, 1971, and 1972. For the same years, world prices, f.o.b. Caribbean Areas, averaged 3.34, 4.28, and 6.12 cents per pound.

As a result of continued short supplies of sugar in the world, the spot price for world raw sugar on January 12, 1973, was 10.20 cents per pound and the U. S. price was 9.40 cents. On a comparable basis the U. S. price for sugar, including freight and duty, was about 2 cents per pound less than the world price.

During 1963, the world price reached a high of 12.60 cents and for the U. S. a price of 13.20 cents per pound.

Fair Wage and Price Determinations. The Secretary, as authorized under the Act, determines fair and reasonable minimum wage rates for fieldworkers, and fair prices for sugarcane and subarbeets. These determinations are issued after investigation, notice, and public hearing.

Studies, Surveys and Reports. Special cost studies and surveys are made in order to develop basic data for use in making wage and price determinations, as well as for other program operations under the Sugar Act.

A formal report was issued in November 1971 on the field cost survey of the Florida sugarcane and raw sugar processing operations for the 1967, 1968 and 1969 crops.

A formal report covering the field cost survey of the Puerto Rico sugarcane and raw sugar industry for the 1968-69, 1969-70, and 1970-71 crops was issued in December 1972.

A field cost survey covering Louisiana sugarcane and raw sugar processing operations for the 1969, 1970, and 1971 crop years was conducted in the spring of 1972. Preparation of a formal report is in process and is expected to be issued early in 1973.

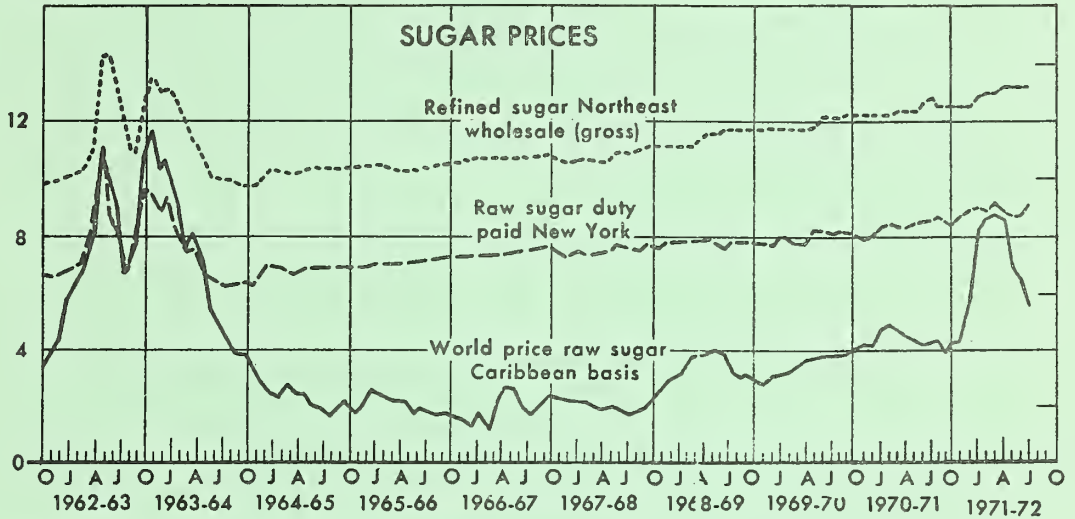
International Sugar Agreement. The broad purpose of the International Sugar Agreement is to achieve and maintain a balance between supply and demand in the world sugar market at prices reasonable both to producers and consumers. The provisions of the Agreement apply to sugar exported to the so-called world free market, that is, to sugar exports that do not have the benefit of protection or favored markets.

The United States under the Sugar Act reserve a portion of its market for foreign countries, and provides access for sugar imports for 32 countries at prices which, after payment of the duty, are the same as prices received by domestic producers. The United States is not a member of this International Sugar Organization but maintains liaison with that organization.

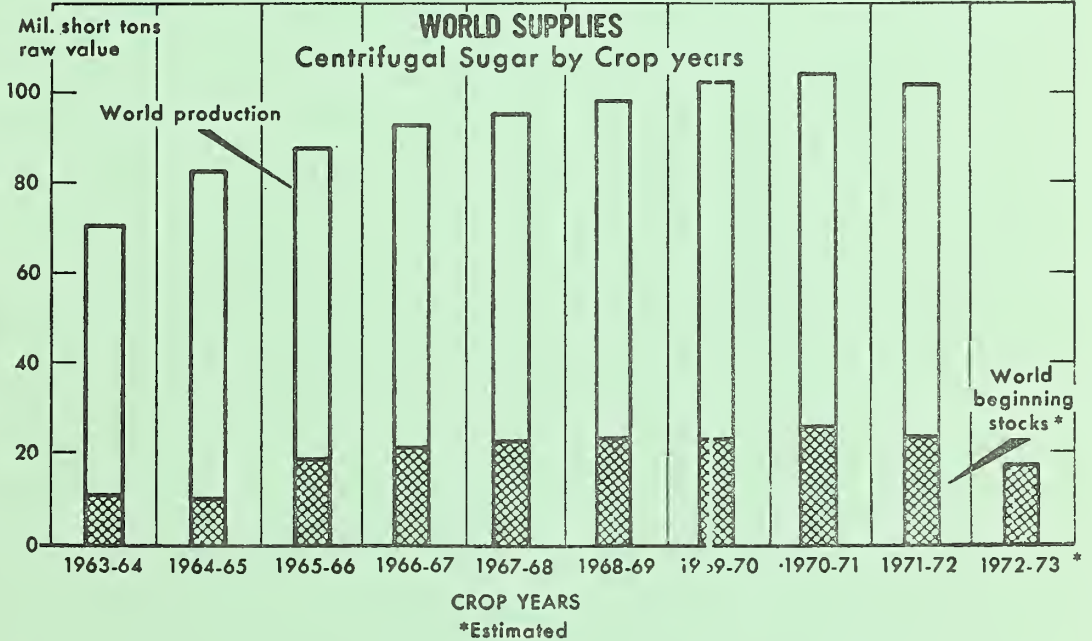


## WORLD SUGAR SUPPLIES AND PRICES

Cents  
per pound



Mil. short tons  
raw value



TAX COLLECTIONS AND OBLIGATIONS

TABLE I

Fiscal Year	Sugar Tax Collections				Total Sugar Program Obligations <u>4/</u>
	Excise Tax <u>1/</u>	Import Compensating Tax <u>2/</u>	Sugar Import Fee <u>3/</u>	Total	
1938-1947	\$618,711,749	\$41,097,312		\$659,809,061	\$481,880,677
1948-1957	776,786,154	42,102,459		818,888,613	631,470,891
1958-1967	950,157,000	21,195,698	\$41,278,409	1,012,631,107	803,792,598
1968	102,270,000	306,590		102,576,590	81,909,000
1969	108,191,000	203,600		108,394,600	91,286,000
1970	113,309,000	180,000		113,489,000	95,084,000
1971	113,556,000	140,000		113,696,000	85,465,000
1972	115,752,000	80,000		115,832,000	89,736,000
Subtotal	2,898,732,903	105,305,659	41,278,409	3,045,316,971	2,360,624,166
1973 (Est.)	115,000,000	100,000		115,100,000	86,603,000
1974 (Est.)	116,500,000	120,000		116,620,000	91,603,000
Total	3,130,232,903	105,525,659	41,278,409	3,277,036,971	2,538,830,166

Tax collections exceed total obligations in the amount of \$684,692,805 for fiscal years 1938 through 1972.

- 1/ 50¢ per 100 lbs., raw value, on all beet or cane sugar manufactured in the Continental U.S. for human consumption.
- 2/ 50¢ per 100 lbs., raw value, on all foreign direct-consumption sugar imported into Continental U.S.
- 3/ Applicable to imports of all foreign sugar (except Philippines' basic quota) --variable in size since it was dependent on price relationship between domestic and world sugar prices. Statutory authority for the sugar import fee ended December 31, 1964.
- 4/ Includes operating expenses.

TABLE II  
SUGAR REQUIREMENTS AND QUOTAS - CALENDAR YEARS 1971 and 1972

Production Area	1971 Quotas (Final)	1972 Quotas
	Short tons, raw value	
Domestic beet sugar .....	3,406,333	3,450,000
Mainland cane sugar (Louisiana and Florida) .....	1,256,000	1,643,000
Hawaii .....	1,110,000	1,114,638
Puerto Rico .....	150,000 <u>1/</u>	151,000 <u>1/</u>
Philippines .....	1,593,733	1,431,761
Other foreign countries .....	3,783,934	4,009,601
Total requirements .....	11,300,000	11,800,000

- 1/ Adjusted for deficits. Unadjusted quotas for Puerto Rico for both calendar years 1971 and 1972, were 1,140,000 short tons, raw value.

NOTE: Despite deficits declared, domestic areas retain right to market the amounts of their unadjusted quotas.

(c) Cropland Conversion Program

Carryover funds from prior year appropriations are sufficient to meet contractual commitments until the end of the program. No new agreements have been made since 1967.

The following table summarizes the balances carried forward and payments made, 1972 through 1974.

Project	1972	1973 (estimated)	Increase or Decrease	1974 (estimated)
Obligated balance start of year ..	\$1,375,702	\$1,267,553	-\$125,000	\$1,142,553
Annual rental payments .....	-108,149	-125,000	- -	-125,000
Obligated balance end of year ....	1,267,553	1,142,553	-125,000	1,017,553





(d) Cropland Adjustment Program

Appropriation Act, 1973 .....	\$52,500,000
Budget Estimate, 1974 .....	<u>51,900,000</u>
Decrease in Appropriation .....	<u>-600,000</u>

SUMMARY OF INCREASES AND DECREASES

	<u>1973</u>	<u>Decreases</u>	<u>1974</u> <u>Estimate</u>
Adjustment payments under 1966 program	\$22,175,000	-\$125,000	\$22,050,000
Adjustment payments under 1967 program	<u>30,325,000</u>	<u>-475,000</u>	<u>29,850,000</u>
Total .....	<u>52,500,000</u>	<u>-600,000</u>	<u>51,900,000</u>

PROJECT STATEMENT

Project	1972	1973 (estimated)	Decrease	1974 (estimated)
Adjustment payments .....	\$67,100,000	\$52,500,000	-\$600,000	\$51,900,000
Total appropriation or estimate .....	<u>67,100,000</u>	<u>52,500,000</u>	<u>-600,000 (1)</u>	<u>51,900,000</u>
Transfer to other accounts for pay costs .....	<u>2,700,000</u>	<u>- -</u>		
Total appropriation .....	<u>69,800,000</u>	<u>52,500,000</u>		

(1) The decrease of \$600,000 is due to fewer payments under the 1966 and 1967 programs as a result of expiration of agreements on about 20,000 acres.

Payment requirements are based on an analysis of the agreements entered into under the 1966 and 1967 programs.

The legislative authority for the program expired December 31, 1970.

CROPLAND ADJUSTMENT PROGRAM FINANCIAL REQUIREMENTS  
(in thousands)

Program and Year	Fiscal Year 1972	Fiscal Year 1973	Fiscal Year 1974
1966 Program Payments:			
Cropland Adjustment .....	\$22,064	\$21,455	\$21,335
Public Access .....	735	719	714
Greenspan Annual Payments .....	1	1	1
1967 Program Payments:			
Cropland Adjustment .....	43,051	29,370	28,900
Public Access .....	1,215	921	916
Greenspan Annual Payments .....	34	34	34
Total Program Payments .....	<u>67,100</u>	<u>52,500</u>	<u>51,900</u>
Total, Appropriation or Estimate .....	<u>67,100</u>	<u>52,500</u>	<u>51,900</u>



## STATUS OF PROGRAM

Nature of Program. The Cropland Adjustment Program was authorized by the Food and Agriculture Act of 1965. It shifted cropland producing crops in actual or potential surplus into long-term (5 to 10 years) conservation uses, and to serve farm and nonfarm people better through (a) helping State and local government agencies purchase cropland under the Greenspan provisions; (b) making available CAP acres for free public access for hunting, trapping, fishing, and hiking; and (c) more effective stabilization of watershed lands. Agreements with producers were entered into during calendar years 1966 and 1967. Programs for entering into new agreements were not authorized after calendar year 1967. The authorization for the program expired December 31, 1970.

Adjustment payments are made to producers for diverting designated crops. Accepted agreements are paid at a rate determined by the crop diverted and the productivity of that crop on the farm. Producers are eligible to receive cost-sharing assistance for establishing approved measures to conserve soil, water, or forest resources; establish, protect or conserve open spaces, natural beauty, wildlife and recreational resources; and prevent air or water pollution.

Greenspan. Under the program's Greenspan provision, State and local governments were helped to acquire cropland to be permanently converted to public benefit uses, primarily for open spaces and recreational facilities. The CAP assistance for land-purchase agreements is comparable to what farmers would receive under the program over a 1-year period for diverting land out of certain crops and into conserving uses, but in no case could such aid exceed 50 percent of the cost of the cropland. Cost-shares may be paid for designated uses, consistent with the conditions and costs under agreements entered into with producers.

Public Access. Under the public access provision of the program, land-owners receive additional compensation for land diverted from crop production by permitting free public access for hunting, trapping, fishing, and hiking. The added payment does not exceed \$3 per acre.

Statistical Data. Approximately 519,000 acres were released under agreements expiring in fiscal year 1972. Additional acres are to be released yearly through fiscal year 1977, the final expiration date of all agreements under this program. The following tables reflect current information regarding, (a) the number of regular and public access agreements and designated acres by States; (b) a summary of the Greenspan agreements; and (c) a projection of costs for the life of the agreements.

Cropland Adjustment Program

Agreements in Effect June 15, 1972

<u>State</u>	<u>Regular</u>		<u>Public Access</u>	
	<u>Number of</u> <u>Agreements</u>	<u>Acres</u>	<u>Number of</u> <u>Agreements</u>	<u>Acres</u>
Alabama	1,456	85,899	35	5,203
Arizona	19	3,949	-	-
Arkansas	407	12,885	-	-
California	51	8,868	2	720
Colorado	400	84,959	46	8,790
Connecticut	87	1,146	-	-
Delaware	24	1,425	-	-
Florida	406	39,712	125	17,660
Georgia	2,246	133,791	23	3,212
Idaho	33	6,960	7	1,916
Illinois	478	33,141	116	9,337
Indiana	634	31,751	27	2,014
Iowa	419	35,288	174	16,380
Kansas	710	75,102	127	20,452
Kentucky	1,320	47,123	84	6,229
Louisiana	84	4,057	-	-
Maine	151	5,548	-	-
Maryland	72	3,500	3	183
Massachusetts	38	314	-	-
Michigan	2,996	141,168	1,417	79,983
Minnesota	2,413	200,210	-	-
Mississippi	571	22,336	90	4,095
Missouri	1,284	97,800	360	32,313
Montana	134	25,920	23	6,179
Nebraska	981	115,082	579	79,185
New Hampshire	3	38	-	-
New Jersey	91	4,553	-	-
New Mexico	1,090	254,030	-	-
New York	1,230	52,707	435	23,440
North Carolina	1,378	36,226	176	6,379
North Dakota	1,002	193,191	919	181,243
Ohio	1,549	52,176	498	21,256
Oklahoma	895	72,153	24	2,984
Oregon	41	3,999	-	-
Pennsylvania	1,338	49,379	744	28,331
Rhode Island	1	9	-	-
South Carolina	1,960	81,013	74	4,944
South Dakota	836	129,375	665	110,596
Tennessee	1,395	55,998	53	3,960
Texas	3,406	430,752	-	-
Utah	41	7,055	1	50
Vermont	45	1,200	-	-
Virginia	685	15,504	19	917
Washington	61	5,331	1	140
West Virginia	135	1,495	-	-
Wisconsin	3,105	140,164	1,224	71,702
Wyoming	38	4,322	7	347
Total	<u>37,739</u>	<u>2,808,604</u>	<u>8,078</u>	<u>750,140</u>



Cropland Adjustment Program

Greenspan Agreements

<u>State</u>	<u>Number of Agreements</u>	<u>Acres in Agreements</u>
Connecticut	1	11.4
Florida	1	152.3
Idaho	1	11.5
Illinois	2	19.8
Indiana	24	957.5
Iowa	21	1,155.1
Kansas	1	2.4
Kentucky	2	185.9
Louisiana	7	143.5
Maine	3	191.3
Maryland	1	71.0
Michigan	11	522.0
Minnesota	8	354.0
Missouri	2	202.6
Nebraska	2	125.7
New Mexico	1	47.8
New York	10	1,388.1
North Dakota	1	16.0
Ohio	4	88.3
Oregon	1	4.0
Pennsylvania	1	105.3
South Dakota	2	124.0
Tennessee	3	72.0
Texas	1	49.6
Utah	1	17.0
West Virginia	1	12.0
Wisconsin	19	1,334.9
	<hr/>	<hr/>
Total	132	7,365.0

Cropland Adjustment Program

<u>Fiscal Year</u>	<u>Total Obligations</u> (Thousands)
1966	\$5,592
1967	56,262
1968	82,482
1969	79,159
1970	77,193
1971	75,614
1972	67,100
1973 est.	52,500
1974 est.	51,900
1975 est.	51,600
1976 est.	51,400
1977 est.	<u>28,100</u>
Total	<u><u>678,902</u></u>

(e) Conservation Reserve Program

Carryover funds from prior year appropriations were sufficient to meet contractual commitments until the end of the program (December 31, 1972).

The following table summarizes the balances carried forward and rental payments, 1972 and 1973 fiscal years.

Item	1972 Actual	1973 Estimate	Increase or Decrease	1974 Estimate
Obligated balance start of year ...	\$273,248	\$193,208	-\$193,208	.....
Annual rental payments .....	-80,040	-54,490	+54,490	.....
Unobligated balance, lapsing .....	.....	-138,718	+138,718	.....
Obligated balance, end of year ....	193,208	.....	.....	.....





### STATUS OF PROGRAM

The Conservation Reserve Program was enacted to help meet the agricultural surplus problem. Its primary purpose was to divert land from crop production in excess of current needs. It also provided assistance to farmers in establishing and maintaining protective cover or other sound conservation uses on the land placed in reserve.

The Conservation Reserve was a voluntary program. Under it the participating farmer signed a contract to withdraw a specified acreage of cropland from production for a period of from 3 to 10 years. He agreed to comply with any acreage allotments on his farm and to reduce his total crop acreage by the amount of land placed in reserve. To protect the land taken out of production, the farmer also agreed to provide adequate vegetative or other approved conservation cover. He also must control weeds and take other measures as may be necessary to prevent grazing such as building or maintaining fences. The farmer's compliance with the contract binds the Federal Government to make an annual rental payment for the land held out of production and, where necessary, to assist with the cost of establishing the conservation practices on the reserve tract.

Rental payments were completed in the Fiscal Year 1973. The Conservation Reserve Program began late in the 1956 crop year. The authorization for the program expired at the end of the 1960 crop season, halting the addition of new land to the Reserve. A summary of the acres involved follows:

	<u>Acres</u>
Peak participation - 1960 crop year .....	28,660,679
Expired and cancelled contracts through	
December 31, 1971 .....	<u>28,660,625</u>
Contracts in effect in 1972 (7 farms) .....	54
Contracts that expired December 31, 1972 .....	<u>54</u>

### Payments to Farmers for Acreage Taken out of Production Under the Conservation Reserve Program

<u>Program Year</u>	<u>Payments (\$1,000)</u>
1956 .....	18,547
1957 .....	94,925
1958 .....	141,889
1959 .....	306,136
1960 .....	350,539
1961 .....	332,684
1962 .....	305,959
1963 .....	289,948
1964 .....	193,712
1965 .....	150,981
1966 .....	140,735
1967 .....	121,802
1968 .....	106,733
1969 .....	38,620
1970 .....	891
1971 .....	80
1972 Est. ....	<u>54</u>
Total .....	<u>2,594,235</u>



(f) Dairy and Beekeeper Indemnity Programs

Appropriation Act, 1973 .....	\$3,500,000
Budget Estimate, 1974 .....	- -
Decrease .....	<u>-3,500,000</u>

PROJECT STATEMENT

Project	1972	1973 (estimated)	Increase or Decrease	1974 (estimated)
1. Indemnity payments to dairy farmers .....	\$200,000	- -	- -	- -
2. Indemnity payments to manufacturers of dairy products ....	300,000	- -	- -	- -
3. Indemnity payments to beekeepers .....	7,000,000	\$3,500,000	-3,500,000(1)	- -
Total appropriation or estimate ...	7,500,000	3,500,000	-3,500,000	- -

- (1) A decrease of \$3,500,000 for "Indemnity payments to beekeepers." It is anticipated that funds made available for this purpose in the fiscal year 1973 will be sufficient to meet all claims which may be filed through December 31, 1973, when the legislative authority for this program expires. Legislative authority for making indemnity payments to dairy farmers and to manufacturers of dairy products expires June 30, 1973.

PROJECT STATEMENT  
(On basis of available funds)

Item	1972	1973 (estimated)	Increase or Decrease	1974 (estimated)
1. Indemnity payments to dairy farmers .....	\$36,505	\$100,000	-\$100,000	- -
2. Indemnity payments to manufacturers of dairy products ....	- -	100,000	-100,000	- -
3. Indemnity payments to beekeepers .....	4,669,099	7,094,396	-4,594,396	2,500,000
Recovery of prior obligations .....	-13,696	- -	- -	- -
Unobligated balance available start of year .....	-3,500,000	-6,294,396	+3,794,396	-2,500,000
Unobligated balance available end of year .....	6,294,396	2,500,000	-2,500,000	- -
Unobligated balance lapsing .....	13,696	- -	- -	- -
Total appropriation or estimate ...	7,500,000	3,500,000	-3,500,000	- -





## STATUS OF PROGRAM

Authority. Section 331 of the Economic Opportunity Act of 1964 authorized the Secretary to make indemnity payments, at fair market value, to farmers who have been directed since January 1, 1964, to remove their milk from commercial markets because it contained residues of chemicals registered and approved for use by the Federal Government at the time of such use. No indemnity payment may be made to any farmer whose milk was removed from commercial markets as a result of his willful failure to follow procedures prescribed by the Federal Government. Original authority granted under this section terminated January 31, 1965, but the termination date has been extended six times. The latest extension was made to June 30, 1973, by Public Law 91-524 which also authorized indemnity payments to manufacturers of dairy products whose products have been removed from the market, since the date of its enactment (November 30, 1970), because they contained residues of chemicals registered and approved for use by the Federal Government.

The Agricultural Act of 1970 (Public Law 91-524) also authorized indemnity payments to beekeepers who through no fault of their own suffered losses of honeybees after January 1, 1967, as a result of the utilization of economic poisons near or adjacent to the property on which the beehives of such beekeepers were located.

Current Outlook. Participation in the Milk Indemnity Payment Program during the past year has been less both in terms of money and applicants of any year since the program has been in operation. The provision for making indemnity payments to manufacturers of dairy products became effective on November 30, 1970. Since that time, one manufacturer has been indemnified because his product was removed from the market, and another manufacturer has filed a claim in the amount of \$135,000. We have no way of accurately estimating the number of manufacturers or dairy farmers that will likely participate in the program during the coming year. However, with the greater surveillance by both State and Federal authorities on the use of pesticides, it is anticipated that payments during the current fiscal year will not exceed \$200,000.

The beekeeper indemnity payment program regulations and procedures were issued to the county offices in July 1971. As of November 20, 1972, 2,876 claims in the amount of \$5,877,818 had been approved for payment. Included in this amount was \$2,554,754 on losses of bees during 1971 and \$126,100 for losses during 1972. The balance is for losses during 1967-70 averaging about \$800,000 a year. Procedures provide for beekeepers to file one claim for losses during 1972 and they have until April 1, 1973 to file their claims. It is expected that the majority of the claims on 1972 losses will be filed and processed for payment during the period of January 1 through March 31, 1973.

A recent survey of claims in State and county offices showed that claims on file covering losses prior to 1972 which had not been approved for payment totaled about \$5.9 million. Our experience to date indicates that it is unlikely these claims will contain sufficient evidence to support payment at the face amount of the claims. Therefore, it is estimated that these claims will be settled for approximately \$3 million or a total of about \$9 million for losses during 1967-1971. Payments on losses during 1972 and 1973 are estimated at about \$2.5 million each.

Outlays. As of June 30, 1972, outlays of indemnity payments were as follows:

(Table on succeeding page)

Dairy and Beekeeper Indemnity Programs

Outlays from Inception of Program through June 30, 1972

	<u>Payments to Dairy Farmers</u>	<u>Payments to Manufactueres of Dairy Products</u>	<u>Payments to Beekeepers</u>
Alabama	\$14,923		\$89,992
Alaska	--		--
Arizona	42,001		703,720
Arkansas	2,469		109,440
California	42,011		275,563
Colorado	15,567		29,783
Connecticut	--		5,222
Delaware	--		--
Florida	34,984		81,885
Georgia	26,714		68,396
Hawaii	--		--
Idaho	5,878		226,435
Illinois	22,326		9,165
Indiana	--		645
Iowa	36,148		25,613
Kansas	93,759		1,850
Kentucky	22,986		410
Louisiana	21,448		163,533
Maine	--		4,497
Maryland	178,615		3,235
Massachusetts	--		100
Michigan	215		7,947
Minnesota	619		44,375
Mississippi	13,072		2,130
Missouri	23,591		1,669
Montana	58,631		--
Nebraska	8,172		13,847
Nevada	--		2,775
New Hampshire	--		90
New Jersey	--		4,360
New Mexico	--		89,550
New York	12,615		7,690
North Carolina	7,864		8,915
North Dakota	--		45
Ohio	52,371		28,938
Oklahoma	16,151		15,304
Oregon	--		104,271
Pennsylvania	55,746		475
Rhode Island	--		1,218
South Carolina	--		8,990
South Dakota	1,019		10,505
Tennessee	15,270		13,380
Texas	345,061		167,522
Utah	29,897		93,379
Vermont	--		4,830
Virginia	23,300		10,725
Washington	--		299,575
West Virginia	39,490		--
Wisconsin	96,876	15,500	142,644
Wyoming	<u>16,114</u>	<u>          </u>	<u>30,074</u>
Total	1,375,903"	15,500	2,914,707

(g) Rural Environmental Assistance Program

	On Appropriation Basis	On Program Authorization Basis
Appropriation Act, 1973 .....	\$195,500,000	\$225,500,000
Budget Estimate, 1974 .....	15,000,000	- -
Decrease .....	<u>-180,500,000</u>	<u>-225,500,000</u>

Note: The Rural Environmental Assistance Program is operated on a program or crop-year basis. Cost-sharing is earned by farmers upon completion of approved measures. Funds for cash payments earned under the 1972 program were made available in the Agriculture-Environmental and Consumer Protection Appropriation Act, 1973. That Act also authorized the formulation and administration of the 1973 program. The appropriation request of \$15,000,000 for 1974 is required for payment of cost-shares approved through December 22, 1972, under the 1973 program.

The 1973 Appropriation Act provided that not to exceed 5 percent of the allocation of the current years program for any county may be withheld and allotted to the Soil Conservation Service for services in formulating and carrying out the REAP. It further provided that \$2,500,000 shall be available for technical assistance in formulating and carrying out rural environmental practices. Since the 1973 program was limited to \$15 million, it is estimated that \$250,000 will be transferred to the Soil Conservation Service for technical services.

Project	1972	1973 (estimated)	Increase or Decrease	1974 (estimated)
Cost-sharing assistance to farmers .....	\$148,071,538	\$205,915,081	-\$200,915,081	\$5,000,000
Adjustments:				
Difference in amount available for purchase of conservation materials and services from prior fiscal year appropriation for current program and amount available for such purposes from current year	-25,271,538	-10,415,081	+20,415,081	+10,000,000
Received by loan from CCC	-35,000,000	-35,000,000	+35,000,000	- -
Payment of CCC loan .....	+62,200,000	+35,000,000	-35,000,000	- -
Total available or Estimate .....	150,000,000	195,500,000	(1) -180,500,000	15,000,000

- (1) A decrease of \$180,500,000 for cost-sharing assistance to farmers. Only \$15 million will be required in 1974 to fund approved cost-sharing agreements. No advance authorization is requested in the 1974 budget. Realized net farm income in 1972 will reach an all-time high of nearly \$19 billion. In view of record high farm income and the general acceptance and profitability of certain practices, it is believed that farmers will continue to carry out programs of soil and water conservation without supplementary payments.





# STATUS OF PROGRAM

Program Purposes. The general policy and the purposes of the Rural Environmental Assistance Program are stated in sections 7-15, 16(a), and 17 of the Soil Conservation and Domestic Allotment Act, as amended. Natural resources conservation and enhancement, with assurance of sufficient stable supplies of foods and fibers, are primary among these stated purposes. The Congress subsequently specified that the program should be restricted to one of soil-building and soil-and water-conserving practices. Recently new legislation broadened the restricted program's latitude by making specific provision for the inclusion of related wildlife conserving practices and of agriculture-related pollution prevention and abatement practices, with other emphasis through legislative history on consideration for environmental and ecological values and enduring types of resources-enhancing measures.

Program Accomplishments. To accomplish the program's purposes cost-sharing assistance is authorized in the 50 states, Puerto Rico, and the Virgin Islands. Also included within the program's framework is the authorization for the Naval Stores Conservation Program. About three-fourths of a million farmers, ranchers, and woodland owners a year (more than two million different ones in 5 years) have cooperated in recent years by performing approved soil, water, woodland, and wildlife conservation practices and water, air, and land pollution prevention and abatement practices to advance their individual conservation farm plans or, in concert, their community conservation, protection, and development plans.

The following accomplishments under the 1971 program illustrate the manner in which resources have been applied recently to further the goals for which the program funds were approved.

On the 34 million practice acres (to which these measures were applied or which they directly served) on participating farms in 1971, 95 percent of the funds went for enduring practices, as compared with 92 percent for 1970 and 87 percent for 1969.

The extent to which the following practices were performed in 1971 and in the period 1936-1971 are shown below:

Practice	Unit	Extent under 1971 program	Total accomplishments 1936-1971
Water impoundment reservoirs constructed to reduce erosion, distribute grazing, conserve vegetative cover and wildlife, or provide fire protection and other agricultural uses . . . . .	1,000 structures	42	2,201
Terraces constructed to reduce erosion, conserve water, or prevent or abate pollution . . . . .	1,000 acres	458	32,301
Stripcropping systems established to reduce wind or water erosion or to prevent or abate pollution. . . . .	1,000 acres	149	114,051
Permanent sod waterways established to reduce erosion, safely dispose of excess runoff, or prevent or abate pollution . . . . .	1,000 acres	30	1,152
Enduring vegetative cover established or improved to reduce erosion, conserve water, or prevent or abate pollution	1,000 acres	6,495	<u>1/</u>

Practice	Unit	Extent under 1971 program	Total accomplishments 1936-1971
Competitive shrubs controlled on range or pasture to permit growth of adequate cover for erosion control and to conserve water .....	1,000 acres	1,334	62,697
Trees and shrubs planted for forestry purposes, erosion control, or environmental enhancement .....	1,000 acres	167	5,258
Forest tree stands improved for forestry purposes or environmental enhancement .....	1,000 acres	141	4,358
Wildlife conservation .....	1,000 acres served	846	<u>2/</u> 12,685
Animal waste and solid waste pollution-abatement structures (lagoons, storage, diversions, and other) .....	number	3,896	<u>3/</u> 5,578
Sediment pollution-abatement structures or runoff control measures	1,000 acres served	376	<u>3/</u> 388
Other pollution-abatement practices..	1,000 acres served	123	<u>3/</u> 137

1/ Similar data lacking.

2/ 1962-1971, inclusive, with certain data estimated.

3/ 1970 and 1971 only.

Some special area programs advanced by these practices are as follows: (The amount of 1971 REAP cost-shares invested in land treatment measures on the specified number of farms in these areas, is shown. Program participants contributed about an equal amount.)

1. In 1,377 watershed protection and flood prevention (Public Law 83-566) watershed projects, \$13.0 million on 54 thousand farms to help bring these projects into being or advance land treatment measures needed on them. Also, \$3.8 million of cost-shares was invested in land treatment measures on 18 thousand farms in 11 flood prevention watersheds and 54 pilot small watersheds to help accomplish flood prevention and other conservation goals.
2. In 97 resource conservation and development projects, \$23.9 million on 108 thousand farms in furtherance of project goals.
3. In 3,027 group enterprise (pooling agreement) projects in 44 states, \$5.9 million on 19 thousand farms to solve community conservation problems.
4. In 562 special projects in 46 states, \$5.5 million on 12 thousand farms to correlate Federal, local, and personal resources for solving community and special area conservation and related economic problems.

The program contributes benefits in special conservation and economic problem areas for which special programs and funds in addition to REAP have been provided:

1. Within the 457-county area of 10 states in which the Great Plains Conservation Program may be operated, REAP cost-shares amounting to \$20.9 million were provided on 67 thousand farms.
2. In 179 project areas of 13 states in the area designated by the Appalachian Regional Development Act of 1965, REAP cost-shares of \$4.7 million were provided on 26 thousand farms. In the entire Appalachian area of 397 counties, REAP cost-shares of more than \$15 million were provided on 105 thousand farms.

3. In the five Economic Development Areas (in addition to the Appalachian area reported above) in 570 counties of 20 states, 115 thousand farms earned over \$22 million of REAP cost-shares.

The Program for 1972. A 1972 program of \$195.5 million was carried out through December 1972, with limited extension to June 30, 1973 under the heading "Rural Environmental Assistance Program" of the Supplemental Appropriation Act, 1973. Numerous changes in program emphasis were initiated in 1971 and some additional ones in 1972 in order to solve pollution and community conservation problems. Among these were increased emphasis on several agriculture-related pollution-abatement practices (concerned with animal wastes, sediment, chemicals, and air pollution), restrictions on the extent and cost-share rates for practices of limited ("temporary") duration, and emphasis on permanent-type ("enduring") practices and those which benefit communities and locally sponsored conservation projects. Data on the results under the 1972 program will be available early in 1973.

The Program for 1973. Again for 1973, county and State committees and participating agencies reviewed the program to update and strengthen it further for dealing with recognized environmental and community problems. As a result of this 1973 field and national review, some additional practices serving comparable purposes were combined (as several had been in 1971 and 1972), and more were removed as national practices--with these net results in the number of national practices included for these respective program years: 1970, 55 practices; 1971, 48 practices; 1972, 30 practices; and 1973, 28 practices. State and county practices could be chosen from these. There could be included in a county program (1) on the basis of special justification and approval, any other conservation practice consistent with the goal and objectives of the program which is needed to meet particular conservation problems that exist on a substantial number of farms in the county, and (2) on county committee request, any practice not otherwise available which was used in the county in the 1970 program.

As of December 22, 1972, additional commitments to farmers and ranchers under this program were discontinued for both the 1972 and 1973 programs. In view of the fact that realized net farm income reached an all time high in 1972, and because of the general acceptance and profitability of certain practices, it is believed farmers will continue to apply these practices on their own without supplemental income payments.





(h) Water Bank Act Program

Appropriation Act, 1973 .....	\$10,000,000
Budget Estimate, 1974 .....	-0-
Decrease in Appropriation .....	<u>-10,000,000</u>

**PROJECT STATEMENT**  
(On the basis of appropriation)

Project	: 1972	: 1973 :(Estimated)	: Increase or Decrease	: 1974 :(Estimated)
Annual payments to landowners and operators .....	:\$9,047,000:	\$9,000,000:	-\$9,000,000	- -
Technical assistance (allocation to SCS) .....	: 953,000:	1,000,000:	-1,000,000	- -
Total appropriation or estimate .	:10,000,000:	10,000,000:	-10,000,000 (1):	- -

**DECREASE**

(1) The decrease of \$10,000,000 results from the following:

This program was initiated in fiscal year 1972. No agreements have been entered into since December 22, 1972 and the 1974 budget does not propose an appropriation for any new agreements. The Department of the Interior carries out programs for wildlife preservation. Further, in view of record high farm income in 1972, it is believed that farmers will continue to carry out programs of wildlife preservation.

**PROJECT STATEMENT**  
(On the basis of available funds)

Project	: 1972	: 1973 :(Estimated)	: Increase or Decrease	: 1974 :(Estimated)
Annual payments to landowners and operators .....	: - -	:\$7,655,854	:-\$7,655,854:	- -
Technical assistance (allocation to SCS) .....	: \$130,326:	823,000	-823,000:	- -
Balance brought forward from prior years .....	: - -	:-9,869,674	:-1,521,146:	-\$11,390,820
Balance carried forward to next year .....	: 9,869,674:	11,390,820 a/:	- -	11,390,820
Total, appropriation or estimate .	:10,000,000:	10,000,000	:-10,000,000:	- -

a/ This amount, \$11,390,820, has been withheld from use in 1973.



## STATUS OF PROGRAM

### Current Activities:

The Secretary of Agriculture carries out a program in important migratory waterfowl nesting and breeding areas to prevent the serious loss of wetlands, and to preserve, restore and improve inland fresh wetlands and adjacent areas as designated in the Water Bank Act, Public Law 91-559, approved December 19, 1970. An Advisory Board, appointed by the Secretary, advises and consults on matters relating to his functions under the Act.

The initial sign-up period for the 1972 program was held from May 22 through June 9, 1972. The total requests to participate received were 6,108, total number of acres requested were 603,222, and the total annual amount requested was \$5,668,012. The actual participation in the 1972 program is shown in the table which follows.

The Water Bank Program is carried out to meet the following objectives:

- preserve and improve habitat for important migratory waterfowl nesting and breeding areas and other wildlife resources.
- preserve, and improve the wetlands of the Nation, and to conserve surface waters.
- reduce runoff, soil and water erosion, and contribute to flood control.
- contribute to improved water quality and reduce stream sedimentation.
- contribute to improved subsurface moisture.
- reduce acres of new land coming into production and to retire lands now in agricultural production.
- enhance the natural beauty of the landscape.
- promote comprehensive and total water management planning.

### Eligibility Provisions:

Under the Water Bank Program, eligible persons in selected areas having eligible wetlands in important migratory waterfowl nesting and breeding areas could enter into 10-year agreements, with provisions for renewal, and receive annual payments for the conservation of water and to meet other purposes of the Act.

The funding on the 1973 Water Bank Program was terminated December 22, 1972.

No funds are requested in the 1974 Budget for this program.

Participation:

The following table presents data for the 1972 Water Bank Program.

State	Number of agreements	Designated acres	Annual pay- ment for designated acreage	Average annual payment per acre	Average annual payment per agreement
California .....	14	3,414	\$26,176	\$7.67	\$1,870
Louisiana .....	11	903	4,513	5.00	410
Maine .....	25	1,924	9,799	5.09	392
Minnesota .....	336	13,515	127,963	9.47	381
Mississippi .....	23	3,635	18,175	5.00	790
Montana .....	48	5,296	49,974	9.44	1,041
Nebraska .....	13	512	7,478	14.61	575
North Dakota .....	334	30,984	271,030	8.75	811
South Dakota .....	224	18,241	154,465	8.47	690
Oregon .....	2	1,020	9,142	8.96	4,571
Vermont .....	25	1,887	12,030	6.38	481
Washington .....	13	998	10,056	10.08	774
Wisconsin .....	144	7,595	64,817	8.53	450
Total .....	1,212	89,924	\$765,618	\$8.51	\$632



(i) Emergency Conservation Measures

Appropriation Act, 1973 .....	\$10,000,000
Budget Estimate, 1974 .....	<u>10,000,000</u>
Change .....	<u>- -</u>

PROJECT STATEMENT  
(on the basis of appropriation)

Project	1972	1973 (estimated)	1974 (estimated)
Emergency cost-sharing assistance to farmers .....	\$12,000,000	\$10,000,000	\$10,000,000
Total, appropriation or estimate .....	<u>12,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>

BASIS FOR THE ESTIMATE

The proposed appropriation of \$10,000,000, together with estimated unobligated balances carried forward from 1973 would provide \$16,834,702 in 1974. This amount is requested to finance corrective action on previous disasters and to provide assurance of fund availability for prompt emergency cost-sharing assistance following any new disaster.

PROJECT STATEMENT  
(on the basis of available funds)

Project	1972	1973 (estimated)	Increases or Decreases	1974 (estimated)
Emergency cost-sharing assistance to farmers .....	\$8,046,704	\$16,835,000	-\$298	\$16,834,702
Reimbursements received .....	-280,787	-0-	- -	-0-
Balance brought forward from prior years .....	-8,936,754	-13,669,702	+6,835,000	-6,834,702
Recovery of prior obligations .....	-498,865	- -	- -	- -
Balance carried forward to next year .....	13,669,702	6,834,702	-6,834,702	- -
Total, appropriation or estimate .....	<u>12,000,000</u>	<u>10,000,000</u>	<u>-0-</u>	<u>10,000,000</u>



STATUS OF PROGRAM

The Emergency Conservation Measures program was first authorized in the Third Supplemental Appropriation Act, 1957, (Public Law 85-58). Under the program, the Government shares a portion of the cost (up to 80% for carrying out approved practices), to assist and encourage farmers to rehabilitate farmlands damaged by natural disasters.

Assistance is available only when, as a result of wind erosion, floods, hurricanes, or other natural disasters, new conservation problems are created which (1) if not treated, will impair or endanger the land, (2) materially affect the productive capacity of the land, (3) represent damage which is unusual in character and, except for wind erosion, is not the type which would recur frequently in the same area, and (4) will be so costly to rehabilitate that Federal assistance is or will be required to return the land to productive agricultural use.

Appropriations have been provided for this program as follows:

<u>Fiscal Year</u>	<u>Amount</u>
1957	\$4,000,000
1958	20,000,000
1962	5,000,000
1964	4,000,000
1965	4,000,000
1965	10,000,000
1966	24,000,000
1967	5,000,000
1968	5,000,000
1969	5,000,000
1970	5,000,000
1971	5,000,000
1972	12,000,000
1973	10,000,000
Total .....	<u>118,000,000</u>

As of July 1, 1972, about \$13.7 million was unobligated. Of this amount \$6.5 million was allocated to the States through June 30, 1972, leaving about \$7.2 million available for allocation in 1973. An additional \$10 million was appropriated for 1973, making a total of \$17.2 million available for allocation to the States. Since July 1, 1972, about \$15 million has been allocated to partially cover restoration measures to be carried out in States affected by drought, flood, hurricane, windstorm, and tornadoes which have occurred since the spring of 1972.

Examples of practices for which cost-sharing assistance is provided under the emergency conservation measures program include:

Flood

- Removal of flood-deposited debris from farmlands
- Smoothing gullies and field washouts
- Restoration of pond levees, sod waterways, drainage ditches, and irrigation systems
- Stabilizing stream banks
- Releveling or reshaping land damaged by flood waters, which before the flood, had been leveled or shaped, for more efficient use of irrigation water and to prevent erosion
- Establishing protective vegetative cover on seriously eroded areas

Drought

- Development of wells, springs, and ponds for livestock water
- Reorganization of irrigation systems, including other measures to conserve the limited supply of water available for irrigation
- Restoration of permanent vegetative cover destroyed or seriously damaged on areas which would be subject to serious erosion unless vegetative cover is reestablished
- Tillage operations to prevent or control wind erosion

Windstorm

Removal of debris from cropland or pastures, orchards, farm woodland, stream channels, waterways, and ditches

Earthquake

Removal of debris deposited by seismic waves caused by earthquake  
Land smoothing and reestablishment of vegetative cover on cropland damaged by fissures resulting from the earthquake  
Reestablishment of vegetative cover damaged by scour or deposits of sedimentation by seismic waves  
Reconstruction of permanent fences destroyed or impaired by seismic waves

Fire

Reseeding burned over range land  
Planting trees on burned over woodland  
Repairing range fences  
Removing debris from stream channels

There are set forth below, by State, allocations for cost-sharing assistance for the 1971, 1972, and 1973 programs, (as of December 31, 1972).

	Program Year			Type(s) of disasters
	1971	1972	1973	
Arizona	\$779,141	-	\$500,000	Flood, drought
Arkansas	-	\$32,000	-	Flood
California	11,650	30,000	200,000	Flood, fire
Colorado	71,243	-	-	Flood
Florida	367,212	-	-	Flood, drought
Georgia	-	10,100	-	Tornado
Idaho	24,007	121,906	-	Flood
Illinois	24,362	-	-	Flood
Iowa	225,915	136,800	570,000	Flood, tornado
Kentucky	29,012	200,000	-	Flood
Maine	15,127	-	-	Flood, icing
Maryland	-	-	500,000	Flood
Mississippi	166,442	-	-	Hurricane, tornado
Missouri	80,416	-	-	Flood
Montana	22,221	274,676	-	Flood
Nebraska	187,267	182,500	-	Fire, flood
New Mexico	804,196	70,000	425,000	Freeze, drought, flood
New York	3,813	-	4,500,000	Flood
North Carolina	-	174,000	225,000	Flood
North Dakota	76,054	37,800	-	Flood
Oklahoma	2,486,414	150,000	-	Flood, drought
Oregon	96,442	1,245,461	-	Flood
Pennsylvania	-	-	3,200,000	Flood
South Dakota	-	240,000	-	Flood
Tennessee	79,094	31,200	-	Flood, tornado
Texas	7,089,259	2,425,900	-	Flood, hurricane, drought
Utah	30,233	-	-	Drought
Virginia	-	-	3,302,000	Flood
Washington	63,805	863,623	-	Flood
West Virginia	-	-	287,000	Flood
Wyoming	492,800	290,869	-	Flood
Puerto Rico	392,237	-	-	Flood
Totals	13,618,362	6,516,835	13,709,000	



# FEDERAL CROP INSURANCE CORPORATION

## Purpose Statement

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation created February 16, 1938, (7 U.S.C. 1501) to carry out the Federal Crop Insurance Act. The purpose of this Act is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance and providing the means for research and experience helpful in devising and establishing such insurance.

Crop insurance offered to agricultural producers by the Corporation provides protection from losses caused by unavoidable natural hazards, such as insect and wildlife damage, plant diseases, fire, drought, flood, wind, and other weather conditions. It does not indemnify procedures for losses resulting from negligence or failure to observe good farming practices.

The 1973 crop insurance programs will operate in 1,433 counties, furnishing insurance coverage of approximately \$925 million on apples, barley, beans, citrus, combined crop, corn, cotton, flax, grain sorghum, grapes, oats, peaches, peanuts, peas, raisins, rice, soybeans, sugar beets, sugarcane, tobacco, tomatoes, and wheat. It is estimated that 367,000 crops will be insured for the 1973 crop year, as compared to 342,328 for the 1972 crop year. Also, the Corporation has been reinsuring a portion of the crop insurance written by the Commonwealth of Puerto Rico since crop year 1968.

A summary of insurance operations and changes in capital for fiscal year 1972 and estimates for the fiscal years 1973 and 1974 follow:

### Summary of operations and changes in capital:

	1972 <u>Actual</u>	1973 <u>Estimate</u>	1974 <u>Estimate</u>
Net capital at beginning of year.....	\$14,441,052	\$38,955,311	\$36,834,311
Additions to capital during the year:			
Insurance premiums (net).....	47,999,740	42,000,000	46,000,000
Interest and other income.....	3,127	---	---
Prior Year adjustments.....	-117,451	---	---
Subscription to capital stock.....	<u>10,000,000<sup>a/</sup></u>	<u>---</u>	<u>---</u>
Total capital available for insurance operations during year.....	\$72,326,468	\$80,955,311	\$82,834,311
Deductions from capital during the year:			
Insurance indemnities.....	28,482,348	38,000,000	41,500,000
Loss adjustment and inspection costs...	1,832,263	2,295,000	2,469,000
Prior year adjustments.....	-41,052	---	---
Reinsurance expense.....	21,867	18,000	18,000
Administrative expenses charged to program operations.....	2,819,917	3,504,000	3,632,000
Estimated uncollectible premiums.....	<u>255,814</u>	<u>304,000</u>	<u>304,000</u>
Total deductions from capital.....	\$33,371,157	\$44,121,000	\$47,923,000
Net capital at end of year.....	<u>\$38,955,311</u>	<u>\$36,834,311</u>	<u>\$34,911,311</u>

### Analysis of capital:

#### Capital stock:

Authorized.....	\$100,000,000	\$100,000,000	\$100,000,000
Unissued.....	<u>40,000,000</u>	<u>40,000,000</u>	<u>40,000,000</u>
Issued.....	60,000,000	60,000,000	60,000,000
Deficit (-).....	-21,044,689	-23,165,689	-25,088,689
Net capital at end of year.....	<u>\$ 38,955,311</u>	<u>\$ 36,834,311</u>	<u>\$ 34,911,311</u>

<sup>a/</sup> The \$10,000,000 in capital stock was subscribed and issued for fiscal year 1972 as provided in the 1972 Appropriation Act.

The current capital stock issue of \$60 million is composed of \$10 million subscribed by P. L. 92-73, approved August 10, 1971, and \$50 million in prior year subscriptions issued pursuant to the Federal Crop Insurance Act.

The crop insurance programs are developed and analyzed in the Washington headquarters office and are administered in the field by fourteen sales and contract service centers. Sales and servicing of contracts at the county level is performed by private agents under contractual agreements with the Corporation and by Corporation employees hired on a permanent, part-time or WAE (when actually employed) basis. Detailed insurance and accounting records are maintained by the National Service Office in Kansas City, Missouri.

Available Funds and Man-Years  
1972 and Estimated, 1973 and 1974

Item	Actual 1972		Estimated Available 1973		Budget Estimate 1974	
	Amount	Man- Years	Amount	Man- Years	Amount	Man- Years
Administrative and Operating Expenses:						
Appropriation.....	\$11,999,577	932	\$11,978,000	980	\$12,000,000	980
Federal Crop Insurance Corporation Fund.....	3,587,000		3,654,000		3,632,000	
Total, Appropriation Bill.....	15,586,577	932	15,632,000	980	15,632,000	980
Loss Adjustment Costs (non-administrative and operating expenses) paid from Federal Crop Insurance Corporation Fund.....	1,832,263	167	2,469,000	204	2,469,000	204
Total, above items.....	17,418,840		18,101,000		18,101,000	
Other funds:						
Miscellaneous reimbursements.....	6,226		---		---	---
Total, Federal Crop Insurance Corporation <u>a/</u> .....	17,425,066	1,099	18,101,000	1,184	18,101,000	1,184

a/ Excludes corporate funds, other than those shown above for administrative and operating expenses and for loss adjustment costs.





(a) Administrative and Operating Expenses

	<u>Appropriation</u>	<u>Administrative Expenses Payable from Premium Income</u>	<u>Total</u>
Appropriation Act, 1973.....	\$12,000,000	\$3,654,000	\$15,654,000
Budget Estimate, 1974.....	<u>12,000,000</u>	<u>3,654,000</u>	<u>15,654,000</u>
Increase in Appropriation ..	<u>---</u>	<u>---</u>	<u>---</u>
Adjustments in 1973:			
Appropriation Act, 1973.....	12,000,000	3,654,000	15,654,000
Transfer to GSA for rental of space.....	-22,000	---	-22,000
Adjusted base for 1974..	<u>11,978,000</u>	<u>3,654,000</u>	<u>15,632,000</u>
Budget Estimate, 1974.....	<u>12,000,000</u>	<u>3,632,000</u>	<u>15,632,000</u>
Change in Appropriation.....	+22,000	-22,000	---

NOTE: The Corporation's 1974 budget estimate includes \$3,632,000 for administrative and operating expenses payable from premium income and \$12,000,000 by annual appropriation. For clarity and completeness, the following project statement and justification cover the total estimated amounts required for administrative and operating expenses of the Corporation.

PROJECT STATEMENT

Item	1972	1973 (estimated)	Increase or Decrease	1974 (estimated)
1. Underwriting, actuarial, and program development.....	\$ 1,632,063	\$ 1,864,000	---	\$1,864,000
2. Marketing and collections.....	8,013,399	8,363,000	---	8,363,000
3. Contract servicing and claims.....	5,174,032	5,405,000	---	5,405,000
Subtotal.....	14,819,494	15,632,000	---	15,632,000
Deduct: Total obligations payable from premium income.....	2,819,917 <sup>a/</sup>	3,654,000	(1)-22,000	3,632,000
Total available or estimate.....	11,999,577	11,978,000	(1)+22,000	12,000,000
Transferred to GSA.....	423	22,000		
Total, appropriation.....	12,000,000	12,000,000		

<sup>a/</sup> Excludes \$767,083 unobligated balance under the limitation on administrative and operating expenses payable from premium income.

Basis of the Fiscal Year 1974 Estimates

The total fiscal year 1974 budget request for administrative and operating expenses is \$15,632,000. Of this amount, \$12,000,000 is requested by direct appropriation, and \$3,632,000 from premium income.

(1) An increase of \$22,000 in direct appropriation for administrative and operating expenses.

The appropriation request will provide the \$12 million authorized in the basic law for administrative and operating expenses of the Corporation. The increase of \$22,000 is offset by a corresponding reduction in the amount of expenses payable from premium income.

The following table summarizes the planned level of crop insurance operations for crop year 1974, compared with 1972 and 1973:

	<u>1972</u>	<u>1973</u>	<u>1974</u>
Insurance in force (\$1,000).....	\$854,000	\$925,000	\$925,000
Premiums (\$1,000).....	42,000	46,000	46,000
Indemnities (\$1,000).....	38,000	41,500	41,500
Loss Ratio.....	.90	.90	.90
Counties.....	1,422	1,433	1,433
County Programs.....	3,525	3,561	3,561
Crops insured.....	342,328	367,000	367,000
Insured acreage (1,000).....	15,400	16,500	16,500

# STATUS OF PROGRAM

The Federal Crop Insurance Corporation is a wholly-owned Government Corporation which provides all-risk crop insurance protection against unavoidable causes of loss. The Corporation's objective is to promote the national welfare by improving the economic stability of agriculture through a sound system of crop insurance.

## Summary of Experience 1948-1971:

During the twenty-four-year period, premiums of \$655.2 million exceeded indemnities of \$620.0 million by \$35.2 million.

Cumulative experience shows premium income on wheat the highest of all the commodities insured during the period. Of the \$655.2 million total premium, \$260.9 million or 39.8 percent were earned from the wheat program. Likewise, indemnities on wheat amounted to \$223.2 million or 36.0 percent of the \$620.0 million total indemnities for the period 1948 through 1971. The loss ratio for wheat for the period was .86 as compared with .95 for all commodities.

The number of counties in which crop insurance is offered has increased from 375 in 1948 to 1,423 in 1971, and crops insured increased from 169,129 to 379,926 during the period.

The following tables summarize the experience for the period 1948 through 1971 by crops and years.

## SUMMARY OF EXPERIENCE - BY CROPS CROP YEARS 1948 - 1971 (Dollars in thousands)

Crop	Net Premiums	Indemnities	Premiums Compared with Indemnities <sup>a/</sup>	Loss Ratio
Apple	\$ 2,231	\$ 2,703	\$ -472	1.21
Barley	11,926	7,367	4,559	.62
Bean	5,280	5,982	-702	1.13
Cherry	150	391	-241	2.61
Citrus	21,219	38,559	-17,340	1.82
Combined Crop	32,841	37,397	-4,556	1.14
Corn	98,699	94,092	4,607	.95
Cotton	63,117	95,167	-32,050	1.51
Flax	14,576	11,438	3,138	.78
Grain Sorghum	8,928	6,398	2,530	.72
Grape	522	585	-63	1.12
Oat	6,156	2,933	3,223	.48
Pea	3,842	5,728	-1,886	1.49
Peach	4,337	5,588	-1,251	1.29
Peanut	7,589	5,926	1,663	.78
Potato	1,269	2,669	-1,400	2.10
Raisin	3,705	1,522	2,183	.41
Rice	518	241	277	.47
Safflower	4	10	-6	3.93
Soybean	37,586	31,041	6,545	.83
Sugar Beet	3,101	2,554	547	.82
Sugarcane	819	290	529	.36
Tobacco	65,198	37,915	27,283	.58
Tomato	313	227	86	.72
Tung Nut	89	67	22	.75
Wheat	260,887	223,206	37,681	.86
Puerto Rico Rein	288	20	268	.07
Total	<u>655,190</u>	<u>620,016</u>	<u>35,174</u>	<u>.95</u>

<sup>a/</sup> Excess of indemnities over premiums indicated by (-) minus sign.

SUMMARY OF EXPERIENCE - BY CROP YEAR  
1948 - 1971

(Dollars in Thousands)

<u>Crop Year</u>	<u>Net Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>	<u>Loss Ratio</u>
1948	\$ 12,684	\$ 6,780	\$ 5,904	.53
1949	11,862	15,531	-3,669	1.31
1950	14,104	12,799	1,305	.91
1951	19,111	21,338	-2,227	1.12
1952	21,200	20,609	591	.97
1953	27,098	31,057	-3,959	1.15
1954	22,655	28,030	-5,375	1.24
1955	22,330	25,505	-3,175	1.14
1956	22,139	27,890	-5,751	1.26
1957	17,407	12,004	5,403	.69
1958	17,617	4,505	13,112	.26
1959	18,461	14,138	4,323	.77
1960	17,797	10,316	7,481	.58
1961	18,149	16,092	2,057	.89
1962	21,854	24,022	-2,168	1.10
1963	30,374	23,524	6,850	.77
1964	33,852	30,362	3,490	.90
1965	36,015	40,753	-4,738	1.13
1966	36,828	25,198	11,630	.68
1967	43,485	55,112	-11,627	1.27
1968	48,966	51,280	-2,314	1.05
1969	48,816	52,780	-3,964	1.08
1970	44,387	41,908	2,479	.94
1971	<u>47,999</u>	<u>28,483</u>	<u>19,516</u>	<u>.59</u>
Total	<u>655,190</u>	<u>620,016</u>	<u>35,174</u>	<u>.95</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.



SUMMARY OF 1971 CROP YEAR EXPERIENCE BY STATE  
(Dollars in Thousands)

<u>State</u>	<u>No. of Insured Crops</u>	<u>Coverage</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Premiums Compared with Indemnities a/</u>
Alabama	5,204	\$ 10,551	761	\$ 179	\$ 582
Arizona	501	3,371	463	825	-362
Arkansas	1,661	3,409	249	168	81
California	3,178	20,830	1,496	1,870	-374
Colorado	3,529	8,603	1,026	229	797
Delaware	615	4,609	276	856	-580
Florida	1,900	18,592	1,460	79	1,381
Georgia	3,538	17,567	860	450	410
Idaho	3,443	8,462	402	205	197
Illinois	11,945	35,128	1,363	454	909
Indiana	12,177	24,522	971	235	736
Iowa	40,751	108,957	4,548	1,232	3,316
Kansas	26,423	45,918	3,563	1,220	2,343
Kentucky	17,405	16,803	586	365	221
Louisiana	1,481	10,602	444	378	66
Maryland	628	2,717	149	193	-44
Michigan	4,026	4,419	273	313	-40
Minnesota	54,080	76,123	4,544	2,255	2,289
Mississippi	1,361	10,298	412	445	-33
Missouri	7,336	6,979	559	345	214
Montana	7,033	43,872	2,331	1,218	1,113
Nebraska	15,796	35,560	2,372	646	1,726
New Mexico	720	3,316	244	305	-61
New York	166	1,652	86	---	86
North Carolina	29,117	135,136	3,196	1,728	1,468
North Dakota	27,658	76,249	4,445	1,288	3,157
Ohio	13,429	18,430	800	276	524
Oklahoma	4,118	9,080	653	1,086	-433
Oregon	2,808	15,917	605	101	504
Pennsylvania	2,748	3,007	191	84	107
South Carolina	5,225	24,935	1,034	1,681	-647
South Dakota	17,985	17,766	1,713	1,043	670
Tennessee	16,453	9,173	506	301	205
Texas	9,603	36,533	2,301	4,190	-1,889
Utah	612	829	49	35	14
Virginia	9,187	33,604	913	1,544	-631
Washington	2,733	27,844	1,121	413	708
Wisconsin	13,789	13,066	865	215	650
Wyoming	783	1,766	107	32	75
Puerto Rico	---	1,372	62	1	61
Total	<u>381,145</u>	<u>\$947,567</u>	<u>\$47,999</u>	<u>\$28,483</u>	<u>\$19,516</u>

a/ Excess of indemnities over premiums indicated by (-) minus sign.

Operating Experience - Crop Year 1971

The 1971 crop year insurance operations show premiums exceeding indemnities by approximately \$19,516,000 with a loss ratio of .59. The amount of insurance in force for the 1971 crop year was \$947,567,000 for 381,145 crops insured.

The reinsurance agreement between the Corporation and the Farm Insurance Agency of Puerto Rico resulted in premiums amounting to \$62,000 for a net income of \$39,443 from the 1971 crop year operations. The insured liability for 1971 amounted to \$1,372,000 which was limited to 17.4 percent of their insurance operations on coffee crops, coffee trees and shade trees, bananas, plantains, citrus trees and fruit and papaya fruit.

Premium Income:

The 1971 crop year premium income is \$47,999,000. During the 1971 crop year, cotton showed a premium decline, down \$1,007,000. The largest premium increase of all crops insured occurred on corn, amounting to approximately \$3,753,000.

Indemnities:

Indemnities for the 1971 crop year totaled \$28,483,000 resulting in a loss ratio of .59. Cotton, wheat and corn with indemnities of \$6,305,634, \$5,591,142 and \$4,265,840 and loss ratios of 1.67, .42 and .37, respectively, account for 22 percent of the total indemnities.

Loss Experience:

Severe weather conditions in some areas resulted in unfavorable loss experience on a number of 1971 crops. The major losses on these crops occurred in the following states:

<u>State</u>	<u>Crop</u>	<u>Excess of Indemnities Over Premiums</u>	<u>Loss Ratio</u>
Texas	Cotton	\$2,069,503	2.39
Virginia	Peanut	1,056,042	4.26
California	Cotton	793,156	3.39
North Carolina	Peanut	760,582	3.39
Delaware	Corn	590,566	3.39

The most favorable 1971 loss experience occurred in the following states:

<u>State</u>	<u>Crop</u>	<u>Excess Premiums Over Indemnities</u>	<u>Loss Ratio</u>
Iowa	Corn	\$2,704,409	.23
North Dakota	Wheat	2,470,241	.26
North Carolina	Tobacco	2,374,838	.11
Minnesota	Corn	1,794,593	.22
Kansas	Wheat	1,553,352	.37
Florida	Citrus	1,326,142	.03
Montana	Wheat	912,470	.54

The 1971 cotton crop indemnities again exceeded the premiums resulting in a deficit for the sixth consecutive year. The citrus operation for the 1971 crop year is showing a surplus for the first time since the 1966 crop year. The Corporation paid no indemnities on raisins for the 1970 and 1971 crop years. The 1971 grape crop was also without any indemnified acreage. Although peanuts show a loss ratio of 2.16 in the 1971 crop year, the overall peanut loss ratio is only .78. This is only the second time in peanut crop history, which began in crop year 1964, that this crop has had a deficit rather than a surplus.

Program Plans:

The objectives of the Corporation during 1973 and 1974 are:

1. To continue providing crop insurance protection in existing counties to as many farmers as possible within the available resources, while maintaining the economic soundness of the program; and
2. To continue making improvements in the contract provisions, insurance protection, and premium rates to make the program more responsive to the needs of the farmers. Programs currently in effect are being reviewed to ascertain that rates and coverages are maintained at a level proportionate to the risk.

Program Statistics:

The following tables show: (1) the number of counties insured, crop years 1948 through 1971 and 1972 through 1974 (estimated). (2) data by commodity, crop years 1948 through 1971 (actual); and (3) data by commodity, 1972.

NUMBER OF COUNTIES

<u>Crop Year</u>	<u>Number of Counties</u>
1948	324
1949	357
1950	549
1951	730
1952	795
1953	847
1954	803
1955	794
1956	806
1957	816
1958	830
1959	847
1960	869
1961	890
1962	995
1963	1,094
1964	1,187
1965	1,214
1966	1,304
1967	1,363
1968	1,395
1969	1,425
1970	1,423
1971	1,423
1972	1,422
1973	1,433
1974 (estimated)	1,433



CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Apple						
1963.....	3	188	\$ 2,378	\$ 163	\$ 57	.35
1964.....	3	126	1,034	71	65	.92
1965.....	4	278	1,556	157	59	.37
1966.....	6	248	1,185	123	234	1.91
1967.....	8	549	4,508	365	332	.91
1968.....	8	503	3,393	281	937	3.33
1969.....	8	580	4,091	374	89	.24
1970.....	8	487	3,750	328	543	1.65
1971.....	8	508	4,005	369	387	1.05
Total....	---	---	---	2,231	2,703	1.21
Barley						
1956.....	9	1,695	1,294	102	39	.39
1957.....	14	2,430	2,518	190	66	.35
1958.....	29	4,216	3,861	311	121	.39
1959.....	84	9,334	6,264	527	567	1.08
1960.....	99	13,841	5,823	513	356	.69
1961.....	109	14,296	6,263	612	934	1.53
1962.....	138	19,253	8,409	877	707	.81
1963.....	164	22,069	12,141	1,150	1,207	1.05
1964.....	179	22,166	10,754	1,017	542	.53
1965.....	175	21,143	9,150	836	204	.24
1966.....	177	19,337	10,678	949	397	.42
1967.....	187	17,815	10,925	914	570	.62
1968.....	190	17,247	12,293	1,023	442	.43
1969.....	194	16,097	12,959	966	299	.31
1970.....	194	13,451	12,678	922	608	.66
1971.....	191	12,977	14,564	1,017	308	.30
Total....	---	---	---	11,926	7,367	.62
Dry Bean						
1948.....	4	1,444	754	32	9	.29
1949.....	9	2,909	1,737	95	61	.64
1950.....	18	5,138	2,293	102	187	1.84
1951.....	29	9,457	3,913	191	599	3.14
1952.....	30	9,014	3,173	198	109	.55
1953.....	30	8,390	4,087	231	142	.62
1954.....	24	6,352	3,128	182	290	1.60
1955.....	17	4,229	2,035	135	89	.66
1956.....	16	3,776	1,868	124	118	.96
1957.....	16	3,539	1,697	107	111	1.03
1958.....	18	3,750	2,251	130	42	.32
1959.....	20	3,749	2,589	113	103	.91
1960.....	22	5,280	2,418	136	80	.59
1961.....	23	4,705	2,390	163	89	.54
1962.....	25	4,928	2,732	185	374	2.03
1963.....	26	5,216	3,962	251	154	.61
1964.....	30	4,572	4,100	253	400	1.58
1965.....	31	4,653	6,228	365	838	2.29

CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Dry Bean (Cont'd)						
1966.....	31	5,015	\$ 7,143	\$ 450	\$ 463	1.03
1967.....	35	4,043	5,009	304	193	.64
1968.....	35	3,566	6,085	377	510	1.35
1969.....	36	3,340	6,329	397	325	.82
1970.....	36	3,242	5,647	374	440	1.18
1971.....	36	3,287	5,998	385	256	.67
Total....	---	---	---	5,280	5,982	1.13
Cherry						
1963.....	1	92	325	34	162	4.84
1964.....	1	131	425	45	9	.21
1965.....	1	122	314	33	55	1.66
1966.....	1	106	307	38	165	4.33
Total....	---	---	---	150	391	2.61
Citrus						
1951.....	1	290	1,137	82	0	---
1952.....	1	202	804	56	2	.04
1953.....	1	218	901	63	0	---
1954.....	2	394	1,514	105	0	---
1955.....	2	324	1,346	94	3	.03
1956.....	2	345	1,529	107	23	.22
1957.....	2	286	1,458	95	689	7.25
1958.....	4	602	3,416	265	39	.15
1959.....	5	639	4,011	313	76	.24
1960.....	6	565	3,724	288	607	2.11
1961.....	10	593	4,118	294	695	2.36
1962.....	14	1,248	9,380	688	6,361	9.25
1963.....	12	1,618	15,057	1,144	37	.03
1964.....	12	1,699	15,696	1,187	529	.45
1965.....	14	1,886	19,112	1,406	1,568	1.11
1966.....	19	2,206	22,186	1,648	477	.29
1967.....	22	2,442	21,956	1,618	4,443	2.75
1968.....	23	3,367	32,434	2,585	5,708	2.21
1969.....	27	4,091	38,142	3,299	5,776	1.75
1970.....	27	3,769	33,019	3,215	9,986	3.11
1971.....	27	3,053	26,295	2,667	1,540	.58
Total....	---	---	---	21,219	38,559	1.82
Combined Crop						
1948.....	2	714	587	24	1	.06
1949.....	7	2,722	4,100	137	22	.16
1950.....	55	27,725	36,305	1,252	1,174	.94
1951.....	95	36,220	52,670	1,958	3,237	1.65
1952.....	115	42,709	68,849	3,020	7,047	2.33
1953.....	113	50,217	83,487	3,862	3,502	.91
1954.....	96	41,042	68,573	3,210	4,824	1.50
1955.....	83	32,652	51,323	2,826	4,024	1.42

CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Combined Crop (Cont'd)						
1956.....	101	35,260	\$ 51,718	\$ 3,234	\$ 4,151	1.28
1957.....	124	41,192	49,835	3,344	2,787	.83
1958.....	100	55,010	31,646	2,054	748	.36
1959.....	61	26,424	22,319	1,288	2,189	1.70
1960.....	49	10,050	16,607	867	234	.27
1961.....	38	8,478	14,478	849	1,048	1.23
1962.....	26	6,406	10,639	572	435	.76
1963.....	26	5,558	11,187	604	271	.45
1964.....	18	4,785	10,574	556	249	.45
1965.....	15	4,173	9,928	510	35	.07
1966.....	11	3,689	9,793	469	192	.41
1967.....	9	3,052	10,559	474	1,008	2.12
1968.....	8	2,867	10,894	473	49	.10
1969.....	7	2,524	10,259	393	24	.06
1970.....	7	2,481	10,107	381	79	.21
1971.....	7	2,469	13,128	484	67	.14
Total....	---	---	---	32,841	37,397	1.14
Corn						
1948.....	36	14,115	11,166	435	75	.17
1949.....	44	19,607	16,683	587	95	.16
1950.....	73	32,292	20,126	724	911	1.26
1951.....	98	37,568	27,929	1,080	2,567	2.38
1952.....	99	36,598	31,284	1,350	339	.25
1953.....	108	40,429	37,302	1,663	278	.17
1954.....	99	32,673	29,433	1,378	766	.56
1955.....	102	30,820	27,164	1,366	2,011	1.47
1956.....	113	41,710	41,037	2,708	9,082	3.35
1957.....	115	39,195	28,319	2,229	1,026	.46
1958.....	207	40,012	32,069	2,068	1,165	.56
1959.....	259	52,267	53,406	3,415	2,967	.87
1960.....	265	52,079	56,212	3,575	5,195	1.45
1961.....	272	50,872	44,838	2,756	644	.23
1962.....	337	59,869	55,934	3,629	5,502	1.52
1963.....	380	67,838	75,833	5,131	2,083	.41
1964.....	446	80,804	102,130	6,300	10,500	1.67
1965.....	458	84,297	108,716	6,978	14,235	2.04
1966.....	508	85,666	115,492	7,263	3,289	.45
1967.....	528	83,018	136,516	8,249	7,790	.94
1968.....	551	83,775	142,181	8,310	5,477	.66
1969.....	577	79,481	150,926	8,086	4,633	.57
1970.....	575	71,649	150,407	7,833	9,196	1.17
1971.....	582	77,077	233,110	11,586	4,266	.37
Total....	---	---	---	98,699	94,092	.95

CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Cotton						
1948.....	53	19,479	\$ 22,123	\$ 1,411	\$ 605	.43
1949.....	52	26,667	26,717	1,580	3,112	1.97
1950.....	80	63,969	33,302	1,831	5,148	2.81
1951.....	101	57,715	44,647	2,674	2,202	.82
1952.....	98	38,086	38,007	2,079	922	.44
1953.....	109	38,434	47,190	2,353	2,460	1.05
1954.....	101	24,196	28,395	1,494	839	.56
1955.....	101	19,319	23,718	1,249	1,055	.84
1956.....	116	29,975	29,872	1,692	1,137	.67
1957.....	119	25,451	18,035	1,105	593	.54
1958.....	118	20,410	12,592	753	187	.25
1959.....	133	19,910	17,686	1,288	574	.45
1960.....	142	15,628	16,513	1,191	615	.52
1961.....	141	15,375	17,890	1,282	1,769	1.38
1962.....	161	21,312	36,183	2,229	2,760	1.24
1963.....	199	26,526	56,352	3,506	2,450	.70
1964.....	221	24,865	57,376	3,606	1,656	.46
1965.....	229	21,152	45,413	2,848	2,396	.84
1966.....	263	23,458	42,582	2,490	5,707	2.29
1967.....	276	25,774	69,182	3,501	13,482	3.85
1968.....	284	32,646	132,075	6,754	12,938	1.92
1969.....	299	31,786	139,424	7,622	19,887	2.61
1970.....	299	24,821	73,598	4,793	6,367	1.33
1971.....	299	19,592	56,606	3,786	6,306	1.67
Total....	---	---	---	63,117	95,167	1.51
Flax						
1948.....	48	16,782	13,469	1,547	795	.51
1949.....	48	19,267	7,784	882	543	.62
1950.....	63	20,847	4,999	490	205	.42
1951.....	61	19,788	4,698	459	226	.49
1952.....	59	18,257	6,195	512	407	.79
1953.....	53	23,433	8,928	824	786	.95
1954.....	53	23,451	8,575	939	719	.77
1955.....	50	20,012	6,011	703	544	.77
1956.....	52	17,256	5,566	646	347	.54
1957.....	52	15,021	4,408	515	1,265	2.46
1958.....	55	16,543	3,557	410	185	.45
1959.....	71	19,066	3,914	451	740	1.64
1960.....	73	18,919	3,925	452	211	.47
1961.....	74	17,647	3,411	440	560	1.27
1962.....	82	19,286	4,300	553	358	.65
1963.....	85	19,995	5,889	684	542	.79
1964.....	89	20,089	4,959	614	867	1.41
1965.....	88	20,341	4,852	600	239	.40



CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Flax						
(Cont'd)						
1966.....	88	19,078	\$ 4,461	\$ 545	\$ 525	.96
1967.....	88	16,737	3,560	421	334	.79
1968.....	82	15,559	4,393	511	183	.36
1969.....	82	13,862	4,568	523	141	.27
1970.....	82	9,675	4,677	539	499	.93
1971.....	82	8,730	2,816	316	217	.69
Total....	---	---	---	14,576	11,438	.78
Grain Sorghum						
1959.....	3	110	54	5	1	.27
1960.....	3	90	33	3	1	.28
1961.....	3	77	15	1	1	.70
1962.....	27	751	1,839	89	35	.39
1963.....	67	5,686	8,408	565	423	.75
1964.....	94	9,025	10,259	695	713	1.03
1965.....	100	9,228	9,598	679	339	.50
1966.....	128	10,891	11,801	801	333	.42
1967.....	141	11,734	17,879	1,160	885	.76
1968.....	180	12,993	21,182	1,213	1,229	1.01
1969.....	185	12,435	19,542	1,078	440	.41
1970.....	185	12,317	20,986	1,196	1,153	.96
1971.....	185	12,187	24,417	1,443	845	.59
Total....	---	---	---	8,928	6,398	.72
Grape						
1967.....	8	224	1,730	89	90	1.02
1968.....	8	263	2,172	113	141	1.25
1969.....	8	232	1,955	103	267	2.59
1970.....	8	246	2,100	113	87	.77
1971.....	8	207	2,007	104	---	---
Total....	---	---	---	522	585	1.12
Oat						
1959.....	27	4,401	1,235	81	80	.99
1960.....	25	5,074	1,268	83	54	.65
1961.....	24	4,908	1,214	96	121	1.26
1962.....	86	11,899	3,292	249	118	.47
1963.....	168	22,084	6,542	481	290	.60
1964.....	217	30,395	7,896	582	402	.69
1965.....	221	32,966	8,067	595	133	.22
1966.....	238	32,916	8,221	596	355	.60
1967.....	246	32,392	9,110	623	298	.48
1968.....	252	33,908	11,680	801	316	.39
1969.....	259	31,396	10,972	724	310	.43
1970.....	259	26,715	9,990	660	310	.47
1971.....	259	24,389	9,280	585	146	.25
Total....	---	---	---	6,156	2,933	.48

CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Pea						
1962.....	1	149	\$ 1,973	\$ 103	\$ 317	3.08
1963.....	12	1,042	4,763	261	138	.53
1964.....	20	2,260	5,931	353	932	2.64
1965.....	20	3,432	6,001	411	357	.87
1966.....	20	3,827	6,101	442	1,190	2.69
1967.....	29	4,455	7,039	512	388	.76
1968.....	32	4,258	7,111	519	1,440	2.77
1969.....	54	4,544	6,595	502	362	.72
1970.....	54	4,197	5,425	428	420	.98
1971.....	53	3,732	4,081	311	184	.59
Total....	---	---	---	3,842	5,728	1.49
Peach						
1957.....	1	92	242	37	19	.50
1958.....	1	97	317	49	37	.77
1959.....	1	87	318	48	55	1.13
1960.....	1	113	343	52	40	.76
1961.....	1	46	117	24	15	.63
1962.....	4	359	2,633	326	590	1.81
1963.....	19	790	4,054	508	525	1.03
1964.....	20	688	3,546	448	1,567	3.50
1965.....	21	762	5,139	651	346	.54
1966.....	23	632	3,391	430	410	.95
1967.....	23	492	2,705	340	778	2.29
1968.....	23	460	2,733	400	94	.24
1969.....	23	411	2,607	366	148	.41
1970.....	23	357	2,451	345	411	1.19
1971.....	23	305	2,182	313	553	1.77
Total....	---	---	---	4,337	5,588	1.29
Peanut						
1962.....	4	1,649	3,822	193	67	.35
1963.....	33	4,302	9,977	613	469	.77
1964.....	43	4,499	10,820	659	861	1.31
1965.....	46	4,197	11,598	673	176	.26
1966.....	51	4,184	11,244	643	163	.25
1967.....	53	4,049	12,922	719	393	.55
1968.....	54	3,975	14,505	807	432	.53
1969.....	56	3,933	18,539	1,008	637	.63
1970.....	56	3,930	21,126	1,125	243	.22
1971.....	56	3,797	22,014	1,149	2,485	2.16
Total....	---	---	---	7,589	5,926	.78

CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Potato						
1962.....	1	334	\$ 1,738	\$ 91	\$ 198	2.17
1963.....	9	590	6,311	309	683	2.21
1964.....	9	484	3,735	190	756	3.98
1965.....	14	759	3,205	200	216	1.08
1966.....	14	711	3,409	214	486	2.27
1967.....	17	593	1,799	138	146	1.05
1968.....	17	309	955	72	99	1.38
1969.....	17	256	751	55	85	1.54
Total....	---	---	---	1,269	2,669	2.10
Raisin						
1961.....	7	1,467	10,279	284	2	.01
1962.....	7	1,938	10,395	259	---	---
1963.....	7	1,993	12,926	360	1,311	3.64
1964.....	7	1,605	10,073	291	5	.02
1965.....	7	1,847	13,766	373	27	.07
1966.....	7	1,958	14,936	401	27	.07
1967.....	7	2,029	12,149	334	21	.06
1968.....	7	1,935	15,398	414	14	.03
1969.....	7	1,785	13,889	386	115	.30
1970.....	7	1,752	10,357	291	---	---
1971.....	7	1,690	10,601	312	---	---
Total....	---	---	---	3,705	1,522	.41
Rice						
1960.....	5	189	313	15	8	.58
1961.....	4	65	243	11	11	1.03
1962.....	6	94	366	19	12	.64
1963.....	9	98	429	21	---	---
1964.....	17	217	1,879	66	44	.68
1965.....	19	201	1,834	62	26	.43
1966.....	20	178	1,615	54	18	.34
1967.....	24	205	2,153	63	19	.31
1968.....	24	180	2,176	62	48	.77
1969.....	24	164	1,540	43	19	.44
1970.....	24	142	1,343	39	3	.07
1971.....	24	197	2,344	63	33	.51
Total....	---	---	---	518	241	.47
Safflower						
1964.....	2	35	14	2	5	3.02
1965.....	2	36	4	1	4	7.42
1966.....	2	33	2	1	1	2.94
Total....	---	---	---	4	10	3.93

CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Programs (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Soybean						
1955.....	6	1,091	\$ 455	\$ 29	\$ 21	.73
1956.....	7	1,560	687	45	34	.74
1957.....	7	1,385	743	50	33	.65
1958.....	136	14,640	7,565	500	181	.36
1959.....	204	26,764	8,799	602	265	.44
1960.....	214	28,947	10,140	670	376	.56
1961.....	227	30,683	12,373	803	432	.54
1962.....	323	38,599	19,070	1,197	803	.67
1963.....	371	48,537	31,627	2,274	2,232	.98
1964.....	436	60,029	45,477	3,228	3,295	1.02
1965.....	450	63,268	52,252	3,515	3,342	.95
1966.....	509	66,992	60,377	3,988	2,316	.58
1967.....	544	68,332	65,929	4,177	5,319	1.27
1968.....	565	69,209	71,598	4,420	3,456	.78
1969.....	602	66,033	72,343	4,239	3,765	.89
1970.....	602	57,494	65,462	3,925	2,348	.60
1971.....	602	54,359	67,878	3,924	2,823	.72
Total....	---	---	---	37,586	31,041	.83
Sugar Beet						
1965.....	4	449	2,558	89	26	.29
1966.....	16	1,673	7,215	274	159	.58
1967.....	54	2,371	12,707	562	340	.60
1968.....	67	2,059	14,177	617	393	.64
1969.....	78	1,704	12,294	540	691	1.28
1970.....	78	1,725	11,309	485	641	1.32
1971.....	78	1,886	12,660	534	304	.57
Total....	---	---	---	3,101	2,554	.82
Sugarcane						
1967.....	4	200	2,680	92	6	.07
1968.....	11	416	5,406	171	35	.20
1969.....	12	504	4,710	144	11	.08
1970.....	12	509	6,891	190	41	.22
1971.....	12	488	8,510	222	197	.89
Total....	---	---	---	819	290	.36
Tobacco						
1948.. . . .	32	31,605	21,356	655	285	.43
1949.....	35	35,023	22,922	740	489	.66
1950.. . . .	52	71,898	47,556	1,451	887	.61
1951.....	69	76,426	50,349	1,586	779	.49
1952.....	82	76,973	52,482	1,543	1,213	.79
1953.. . . .	103	102,691	68,355	2,027	3,854	1.90
1954.....	107	83,082	70,634	2,364	2,107	.89
1955.....	127	86,754	72,664	2,720	1,075	.40



CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Program (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Tobacco						
(Cont'd)						
1956.....	143	80,796	\$ 59,113	\$ 2,175	\$ 618	.28
1957.....	149	71,497	46,582	1,629	559	.34
1958.....	151	69,157	47,948	1,650	310	.19
1959.....	160	72,385	54,241	1,699	645	.38
1960.....	166	73,224	58,209	2,027	711	.35
1961.....	172	70,651	60,793	2,115	612	.29
1962.....	191	75,774	99,717	3,303	2,617	.79
1963.....	212	80,482	111,058	3,670	2,281	.62
1964.....	217	75,799	102,087	3,355	1,056	.31
1965.....	224	76,416	115,284	3,421	1,814	.53
1966.....	244	80,437	141,008	4,000	2,371	.59
1967.....	252	78,914	151,309	4,182	1,583	.38
1968.....	255	75,537	143,318	3,915	2,096	.54
1969.....	253	73,465	192,951	4,651	4,938	1.06
1970.....	253	74,594	217,763	5,248	3,055	.58
1971.....	253	72,145	210,469	5,072	1,960	.39
Total....	---	---	---	65,198	37,915	.58
Tomato						
1963.....	3	124	367	24	10	.41
1964.....	10	214	526	34	9	.25
1965.....	10	166	400	26	7	.27
1966.....	6	123	264	17	31	1.81
1967.....	11	238	553	45	29	.64
1968.....	13	243	698	51	49	.97
1969.....	13	222	527	36	65	1.79
1970.....	13	243	660	45	13	.30
1971.....	13	195	511	35	14	.40
Total....	---	---	---	313	227	.72
Tung Nut						
1965.....	1	47	123	24	2	.08
1966.....	1	43	117	23	7	.32
1967.....	1	38	103	20	3	.15
1968.....	1	17	44	8	40	4.92
1969.....	1	17	43	9	3	.38
1970.....	1	15	28	5	12	2.27
Total....	---	---	---	89	67	.75
Wheat						
1948.....	200	84,990	84,542	8,580	5,010	.58
1949.....	199	58,881	83,552	7,841	11,209	1.43
1950.....	283	84,816	95,867	8,254	4,287	.52
1951.....	356	105,746	132,120	11,081	11,728	1.06
1952.....	390	118,847	149,442	12,442	10,570	.85
1953.....	405	142,818	187,264	16,075	20,035	1.25
1954.....	402	135,697	144,027	12,983	18,485	1.42
1955.....	400	124,757	125,208	13,208	16,683	1.26

CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Program (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Wheat						
(Cont'd)						
1956.....	389	112,576	\$114,059	\$ 11,306	\$ 12,341	1.09
1957.....	390	107,516	88,363	8,106	4,856	.60
1958.....	394	99,998	97,490	9,427	1,490	.16
1959.....	460	104,327	95,992	8,631	5,876	.68
1960.....	480	106,449	90,357	7,925	1,828	.23
1961.....	492	100,193	93,287	8,419	9,159	1.09
1962.....	534	100,327	83,932	7,292	2,768	.38
1963.....	573	103,248	117,083	8,621	8,199	.95
1964.....	598	103,080	132,826	10,300	5,900	.57
1965.....	627	98,833	155,295	11,562	14,309	1.24
1966.....	640	93,995	151,995	10,969	5,882	.54
1967.....	678	89,447	210,028	14,583	16,662	1.14
1968.....	708	90,458	216,007	14,973	15,149	1.01
1969.....	736	87,241	191,002	13,201	9,746	.74
1970.....	734	83,007	181,211	11,848	5,443	.46
1971.....	731	77,875	212,720	13,260	5,591	.42
Total....	---	---	---	260,887	223,206	.86
Puerto Rico						
Reinsurance						
1968.....	---	---	2,106	96	5	.05
1969.....	---	---	1,562	71	4	.05
1970.....	---	---	1,270	59	10	.16
1971.....	---	---	1,371	62	1	.01
Total....	---	---	---	288	20	.07

CROP INSURANCE EXPERIENCE BY YEARS 1948-1971

ALL PROGRAMS  
(Dollars in Thousands)

Program and Crop Year	County Program (number)	Crops Insured (number)	Amount of Protection	Amount of Premium	Amount of Indemnities	Loss Ratio
Grand Total						
1948.....	375	\$169,129	\$153,997	\$ 12,684	\$ 6,780	.53
1949.....	394	165,076	163,495	11,862	15,531	1.31
1950.....	624	306,685	240,448	14,104	12,799	.91
1951.....	810	343,210	317,463	19,111	21,338	1.12
1952.....	874	340,686	350,216	21,200	20,609	.97
1953.....	922	406,630	437,514	27,098	31,057	1.15
1954.....	884	346,887	354,279	22,655	28,030	1.24
1955.....	888	319,958	309,924	22,330	25,505	1.14
1956.....	948	324,949	306,743	22,139	27,890	1.26
1957.....	989	307,604	242,200	17,407	12,004	.69
1958.....	1,213	324,435	242,712	17,617	4,505	.26
1959.....	1,488	339,463	270,828	18,461	14,138	.77
1960.....	1,550	330,448	265,885	17,797	10,316	.58
1961.....	1,597	320,056	271,709	18,149	16,092	.89
1962.....	1,967	364,175	356,354	21,854	24,022	1.10
1963.....	2,379	418,076	496,669	30,374	23,524	.77
1964.....	2,689	447,567	542,117	33,852	30,362	.90
1965.....	2,781	450,652	590,393	36,015	40,753	1.13
1966.....	3,023	457,396	635,523	36,828	25,198	.68
1967.....	3,245	449,143	773,010	43,485	55,112	1.27
1968.....	3,398	455,750	875,054	48,966	51,280	1.05
1969.....	3,558	436,103	918,520	48,816	52,780	1.08
1970.....	3,537	396,818	852,255	44,387	41,908	.94
1971.....	3,536	381,145	947,567	47,999	28,483	.59
Total....	---	---	---	655,190	620,016	.95

SUMMARY OF FCIC EXPERIENCE 1939-71

<u>Year</u>	<u>Liability</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Premiums</u>	<u>Indemnities</u>	<u>Loss Ratio</u>
	(Thousands of Dollars)			(As % of Protection)		
1939	\$ 34,475	\$ 3,411	\$ 5,603	9.9	16.3	1.64
1940	67,029	9,155	13,869	13.7	20.7	1.51
1941	101,700	11,279	18,924	11.1	18.6	1.68
1942	197,613	16,694	24,937	8.4	12.6	1.49
1943	244,394	18,236	33,231	7.5	13.6	1.82
1944	(No Insurance Offered)					
1945	148,161	9,360	23,246	6.3	15.7	2.48
1946	350,623	35,329	63,489	10.1	18.1	1.80
1947	420,921	43,777	35,244	10.4	8.4	.81
1947 & Prior	1,564,916	147,241	218,543	9.4	14.0	1.48
1948	153,997	12,684	6,780	8.2	4.4	.53
1949	163,495	11,862	15,531	7.3	9.5	1.31
1950	240,448	14,104	12,799	5.9	5.3	.91
1951	317,463	19,111	21,338	6.0	6.7	1.12
1952	350,216	21,200	20,609	6.1	5.9	.97
1953	437,514	27,098	31,057	6.2	7.1	1.15
1954	354,279	22,655	28,030	6.4	7.9	1.24
1955	309,924	22,330	25,505	7.2	8.2	1.14
1956	306,743	22,139	27,890	7.2	9.1	1.26
1957	242,200	17,407	12,004	7.2	5.0	.69
1958	242,712	17,617	4,505	7.3	1.9	.26
1959	270,828	18,461	14,138	6.8	5.2	.77
1960	265,885	17,797	10,316	6.7	3.9	.58
1961	271,709	18,149	16,092	6.7	5.9	.89
1962	356,354	21,854	24,022	6.1	6.7	1.10
1963	496,669	30,374	23,524	6.1	4.7	.77
1964	542,117	33,852	30,362	6.2	5.6	.90
1965	590,393	36,015	40,753	6.1	6.9	1.13
1966	635,521	36,828	25,198	5.8	4.0	.68
1967	773,010	43,485	55,112	5.6	7.1	1.27
1968	875,054	48,966	51,280	5.6	5.9	1.05
1969	918,520	48,816	52,780	5.3	5.7	1.08
1970	852,255	44,387	41,908	5.2	4.9	.94
1971	947,567	47,999	28,483	5.1	3.0	.59
1948 & 1971	10,914,873	655,190	620,016	6.0	5.7	.95



(b) Subscription to Capital Stock

Project Statement

Project	:	:	:	Increases	:
	:	1972	:	1973	:
	:	:	:	or	:
	:	:	:	Decreases	Estimated
Subscription to Capital Stock.....	:	\$10,000,000	:	---	:
	:	:	:	---	---

The Agriculture-Environmental and Consumer Protection Appropriation Act, 1972 provided \$10 million for subscription of additional capital stock of the Federal Crop Insurance Corporation as authorized in Section 504 of the Federal Crop Insurance Act (7 U.S.C. 1504). This appropriation was made to provide additional working capital.

The issued capital stock totals \$60 million, and the remaining authorized stock of \$40 million is available for issuance in subsequent years.

No additional subscription to capital stock is requested in the budget. It is estimated that net capital at the end of fiscal year 1974 will amount to \$34.9 million, assuming a .90 loss ratio.



## COMMODITY CREDIT CORPORATION

### Purpose Statement

The Commodity Credit Corporation (CCC) is a wholly owned Government corporation, created in 1933 to stabilize, support, and protect farm income and prices; to assist in the maintenance of balanced and adequate supplies of agricultural commodities; and to facilitate the orderly distribution of such commodities. CCC was originally incorporated under a Delaware charter and was reincorporated June 30, 1948, as a Federal corporation within the Department of Agriculture by the Commodity Credit Corporation Charter Act, approved June 29, 1948, (15 U.S.C. 714).

The principal operations conducted by CCC are support programs for agricultural commodities, including the storage, handling, and disposition of commodities acquired under the programs; set-aside programs for feed grains, wheat, and cotton; and special activities, such as those under the Agricultural Trade Development and Assistance Act of 1954, as amended, which are financed by appropriations authorized by statutes providing for the activities. Under section 4 of the Food for Peace Act of 1966, CCC finances short-term export credit sales on credit terms not to exceed three (3) years under the Export Credit Sales Program.

Management of the Corporation is vested in a board of directors, subject to the general supervision and direction of the Secretary of Agriculture who is an ex-officio director and chairman of the board. The board consists of six members, in addition to the Secretary, who are appointed by the President of the United States by and with the advice and consent of the Senate. A bipartisan advisory board of five members, also appointed by the President, surveys the general policies of the Corporation and advises the Secretary. Officers of the Corporation are designated according to their positions in the Department of Agriculture.

The activities of the Corporation are carried out mainly by the personnel and through the facilities of the Agricultural Stabilization and Conservation Service (ASCS) and the Agricultural Stabilization and Conservation (ASC) State and county committees. The Export Marketing Service, other agencies and offices of the Department and commercial agents are also used to carry out certain phases of the Corporation's activities.

ASCS administers CCC's activities through its central office in Washington D. C., and its 3 commodity offices located in Kansas City, Mo., Minneapolis, Minn., and New Orleans, La. It was announced on January 5, 1973 that functions of the New Orleans Commodity Office would be combined with Kansas City operations. The transfer of personnel and complete consolidation is expected to be completed by September 30, 1973. In addition, the Service has a Data Processing Center and Management Field Office located in Kansas City, Mo.

The ASC State and county committees carry out certain of the Corporation's support and related activities within the States and counties. There are 50 State offices, and insular area office in Puerto Rico, and approximately 2,800 county offices. The ASC State committees supervise the activities of the ASC county committees in their respective States.

### FINANCING

Borrowing authority.--The Corporation has an authorized capital stock of \$100 million held by the United States and authority to borrow up to \$14.5 billion. Funds are borrowed from Treasury and may also be borrowed from private lending agencies. In connection with loan guarantees, the Corporation reserves a sufficient amount of its borrowing authority to purchase at any time all borrowings from private sources. The sale of time-drafts in the private financial market on the short-term export credit sale receivables are a contingent liability (guaranteed by CCC) and also require sufficient reservation of borrowing authority. All bonds, notes, debentures, and similar obligations issued by the Corporation are subject to approval by the Secretary of the Treasury as required by the Act of March 8, 1938 (15 U.S.C. 713a-4).

Reimbursement for net realized losses.--Under Public Law 87-155 (15 U.S.C. 713a 11, 12), annual appropriations are authorized for each fiscal year, commencing with the fiscal year 1961. These appropriations are to reimburse the Corporation for net realized losses incurred as reflected in its accounts and shown in its report of financial condition.

Available Funds, 1972 and 1973, and Estimated, 1974

Item	1972	1973	Budget Estimate, 1974
Commodity Credit Corporation:			
Support and related programs:			
Reimbursement for net realized losses .....	\$4,213,331,000	\$4,057,952,000	\$3,457,409,000
Reimbursement to CCC, National Wool Act .....	75,430,447	66,696,700	63,000,000
Total, Commodity Credit Corporation .....	4,288,761,447	4,124,648,700	3,520,409,000



(a) Reimbursement for Net Realized Losses

Appropriation Act, 1973 .....	\$4,057,952,000
Budget Estimate, 1974 .....	<u>3,457,409,000</u>
Decrease in appropriation .....	<u>-600,543,000</u>

SUMMARY OF INCREASES AND DECREASES

	<u>1973</u>	<u>Increase or Decrease</u>	<u>1974 Estimate</u>
Reimbursement for:			
1971 losses .....	\$4,057,952,000	- -	- -
1972 losses .....	- -	-\$600,543,000	\$3,457,409,000

PROJECT STATEMENT

Project	1972	1973 (estimated)	Decreases	1974 (estimated)
Reimbursement for 1972 losses: appropriation ..	\$4,213,331,000	\$4,057,952,000	-\$600,543,000	\$3,457,409,000

DECREASE

The 1974 estimate of \$3,457,409,000 would reimburse the Corporation for all actual losses through June 30, 1972, and provide an estimated balance of borrowing authority at the end of 1974 of \$3,401,624,000.

The decrease of \$600,543,000 in the 1974 budget estimate compared with the 1973 appropriation consists of the following:

COMMODITY CREDIT CORPORATION

Realized Losses, 1971 and 1972

Item	Fiscal Year 1971	Increase and Decrease	Fiscal Year 1972
Support and related programs:			
Commodity inventory operations:			
Loss or gain* on sales .....	\$119,979,839*	+\$117,689,695 (1)	\$2,290,144*
Donations .....	240,817,177	+27,156,867 (2)	267,974,044
Storage and handling expense	133,754,760	-12,456,139 (3)	121,298,621
Transportation expense .....	61,741,883	+5,480,950 (4)	67,222,833
Total commodity inventory operations .....	316,333,981	+137,871,373	454,205,354
Commodity export payments ....	176,092,474	-59,158,255 (5)	116,934,219
Reseal storage payments .....	110,126,017	-31,404,404 (6)	78,721,613
Set-aside payments:			
Cotton .....	917,498,476	-93,549,662 (7)	823,948,814
Feed grains .....	1,503,617,279	-450,308,008 (8)	1,053,309,271
Wheat .....	873,586,588	+4,534,485 (9)	878,121,073
Total set-aside payments .	3,294,702,343	-539,323,185	2,755,379,158
Wheat certificate sales .....	385,411,901*	-749,691 (10)	386,161,592*
Net payments .....	2,909,290,442	-540,072,876	2,369,217,566
Other program expense (net) ..	65,113,454	+44,986,907 (11)	110,100,361
Interest (net) .....	420,130,071	-166,057,490 (12)	254,072,581
Administrative and nonadmin- istrative (net) .....	60,860,294	+13,296,912 (13)	74,157,206
Research costs under PL 88-250	5,289	-5,289 (14)	--
Total realized losses .....	4,057,952,022	-600,543,122	3,457,408,900
Rounding .....	-22	+122	+100
Total realized losses .....	4,057,952,000	-600,543,000	3,457,409,000

NOTE: Asterisks (\*) indicate receipt to CCC.

Explanation of Changes in Realized Losses, 1971 and 1972

- (1) A decrease of \$117,689,695 in gain on sales (\$119,979,839 gain in 1971).  
The decrease results from the smaller net gain from sales in 1972 primarily due to a lower volume of sales of corn, grain sorghum, wheat and soybeans, and higher losses on sales of butter.
- (2) An increase of \$27,156,867 in domestic donations (\$240,817,177 in 1971).  
The increase is primarily due to higher donations of grain sorghum, butter, cheese, and peanut butter, partially offset by decreases in wheat products, rice, and vegetable oils.
- (3) A decrease of \$12,456,139 in storage and handling expenses (\$133,754,760 in 1971). The decrease results primarily from lower average inventories of cotton grain sorghum and soybeans, partially offset by higher average inventories of wheat and oats.
- (4) An increase of \$5,480,950 in transportation expense (\$61,741,883 in 1971).  
The increase results from reconcentrations of inventories, primarily wheat, corn, and barley, partially offset by decreases in grain sorghum, oats, and soybeans.
- (5) A decrease of \$59,158,255 in commodity export payments (\$176,092,474 in 1971). The decrease is due primarily to reduced exports of wheat and tobacco, partially offset by an increase in rice payments due to higher rates on reduced exports.
- (6) A decrease of \$31,404,404 in reseal storage payments (\$110,126,017 in 1971).  
The decrease is primarily due to less corn, grain sorghum, barley and wheat under reseal loans and no reseal program for soybeans, partially offset by increased oats under reseal.

(a) Reimbursement for Net Realized Losses

Appropriation Act, 1973 .....	\$4,057,952,000
Budget Estimate, 1974 .....	<u>3,457,409,000</u>
Decrease in appropriation .....	<u>-600,543,000</u>

SUMMARY OF INCREASES AND DECREASES

	<u>1973</u>	<u>Increase or Decrease</u>	<u>1974 Estimate</u>
Reimbursement for:			
1971 losses .....	\$4,057,952,000	- -	- -
1972 losses .....	- -	-\$600,543,000	\$3,457,409,000

PROJECT STATEMENT

Project	1972	1973 (estimated)	Decreases	1974 (estimated)
Reimbursement for 1972 losses: appropriation ..	\$4,213,331,000	\$4,057,952,000	-\$600,543,000	\$3,457,409,000

DECREASE

The 1974 estimate of \$3,457,409,000 would reimburse the Corporation for all actual losses through June 30, 1972, and provide an estimated balance of borrowing authority at the end of 1974 of \$3,401,624,000.

The decrease of \$600,543,000 in the 1974 budget estimate compared with the 1973 appropriation consists of the following:

COMMODITY CREDIT CORPORATION

Realized Losses, 1971 and 1972

Item	Fiscal Year 1971	Increase and Decrease	Fiscal Year 1972
Support and related programs:			
Commodity inventory operations:			
Loss or gain* on sales .....	\$119,979,839*	+\$117,689,695 (1)	\$2,290,144*
Donations .....	240,817,177	+27,156,867 (2)	267,974,044
Storage and handling expense	133,754,760	-12,456,139 (3)	121,298,621
Transportation expense .....	61,741,883	+5,480,950 (4)	67,222,833
Total commodity inventory operations .....	316,333,981	+137,871,373	454,205,354
Commodity export payments ....	176,092,474	-59,158,255 (5)	116,934,219
Reseal storage payments .....	110,126,017	-31,404,404 (6)	78,721,613
Set-aside payments:			
Cotton .....	917,498,476	-93,549,662 (7)	823,948,814
Feed grains .....	1,503,617,279	-450,308,008 (8)	1,053,309,271
Wheat .....	873,586,588	+4,534,485 (9)	878,121,073
Total set-aside payments .	3,294,702,343	-539,323,185	2,755,379,158
Wheat certificate sales .....	385,411,901*	-749,691 (10)	386,161,592*
Net payments .....	2,909,290,442	-540,072,876	2,369,217,566
Other program expense (net) ..	65,113,454	+44,986,907 (11)	110,100,361
Interest (net) .....	420,130,071	-166,057,490 (12)	254,072,581
Administrative and nonadmin- istrative (net) .....	60,860,294	+13,296,912 (13)	74,157,206
Research costs under PL 88-250	5,289	-5,289 (14)	--
Total realized losses .....	4,057,952,022	-600,543,122	3,457,408,900
Rounding .....	-22	+122	+100
Total realized losses .....	4,057,952,000	-600,543,000	3,457,409,000

NOTE: Asterisks (\*) indicate receipt to CCC.

Explanation of Changes in Realized Losses, 1971 and 1972

- (1) A decrease of \$117,689,695 in gain on sales (\$119,979,839 gain in 1971).  
The decrease results from the smaller net gain from sales in 1972 primarily due to a lower volume of sales of corn, grain sorghum, wheat and soybeans, and higher losses on sales of butter.
- (2) An increase of \$27,156,867 in domestic donations (\$240,817,177 in 1971).  
The increase is primarily due to higher donations of grain sorghum, butter, cheese, and peanut butter, partially offset by decreases in wheat products, rice, and vegetable oils.
- (3) A decrease of \$12,456,139 in storage and handling expenses (\$133,754,760 in 1971). The decrease results primarily from lower average inventories of cotton grain sorghum and soybeans, partially offset by higher average inventories of wheat and oats.
- (4) An increase of \$5,480,950 in transportation expense (\$61,741,883 in 1971).  
The increase results from reconcentrations of inventories, primarily wheat, corn, and barley, partially offset by decreases in grain sorghum, oats, and soybeans.
- (5) A decrease of \$59,158,255 in commodity export payments (\$176,092,474 in 1971). The decrease is due primarily to reduced exports of wheat and tobacco, partially offset by an increase in rice payments due to higher rates on reduced exports.
- (6) A decrease of \$31,404,404 in reseal storage payments (\$110,126,017 in 1971).  
The decrease is primarily due to less corn, grain sorghum, barley and wheat under reseal loans and no reseal program for soybeans, partially offset by increased oats under reseal.



(7) A decrease of \$93,549,662 in cotton set-aside payments (\$917,498,476 in 1971). The decrease is due to a lower payment rate, lower program yields, and decreased small farm payments.

(8) A decrease of \$450,308,008 in feed grain set-aside payments (\$1,503,617,279 in 1971). The decrease is due to no additional set-aside provision for 1971 crop, partially offset by a higher payment rate and increased participation.

(9) An increase of \$4,534,485 in wheat payments (\$873,586,588 in 1971). The increase is due to an increase of 6 cents per bushel in the certificate value, and higher volume of certificates issued to producers, substantially offset by no additional set-aside payments.

(10) A decrease of \$749,691 in wheat certificate sales (\$385,411,901 in 1971). The decrease results from an increase in number of certificates sold to wheat processors.

(11) An increase of \$44,986,907 in other program expense (\$65,113,454 in 1971). The increase is primarily due to higher peanut program losses, cotton research and promotion expenses, and an increase in offshore procurement premiums.

(12) A decrease of \$166,057,490 in net interest expense (\$420,130,071 in 1971). This is due to lower interest rates paid, and a lower level of Treasury borrowings.

(13) An increase of \$13,296,912 in administrative and nonadministrative expenses (\$60,860,294 in 1971). The increase is primarily due to amounts transferred to cover increased pay costs and an increase in wheat, feed grains, and cotton programs and compliance.

(14) A decrease of \$5,289 in research costs under PL 88-250 (\$5,289 in 1971). The decrease results from the reduction in CCC transfers to the Agricultural Research Service for construction and research.

RECONCILIATION TO BUDGET AUTHORITY

The above analysis of realized losses, which form the basis of appropriation requests, covers the differences between the actual 1971 and 1972 losses of the Corporation. In this respect it does not provide the analysis of budget authority for 1973 and 1974. To provide this data the following table reconciles budget authority with appropriations:

Reconciliation between appropriation and budget authority (in millions):

Reimbursement for Net Realized Losses:	<u>1973</u>	<u>1974</u>
Appropriation .....	\$4,058.0	\$3,457.4
Adjustments:		
Appropriation to liquidate contract authority .....	<u>-790.4</u>	<u>--</u>
Budget authority, support and related .....	3,267.6	3,457.4

The following tables reflect actual and estimated realized losses by commodity and program for fiscal years 1971 through 1974:

Fiscal Year 1971 - Actual (Millions of dollars)

Item	Total	Feed grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs <sup>a</sup>
<b>Program Costs:</b>										
Gain* or loss on sales .....	120.0*	57.9*	39.6*	16.3*	<sup>g</sup>	24.0*	5.3	11.3	.8*	2.0
Donations .....	240.8	9.0	36.6	-	11.4	-	160.8 <sup>h</sup>	-	22.6	.4
Storage and handling .....	133.7	61.8	39.3	9.9	4.2	6.8	3.8	1.3	-	6.6
Transportation .....	61.7	21.4	22.9	.4	1.5	1.0	9.2	.1	.3	4.9
Commodity export payments .....	176.1	-	129.2	-	17.8	-	-	-	-	29.1
Set-aside payments .....	3,294.7	1,503.6	873.6	914.9	-	-	-	-	-	2.6
Wheat certificate sales .....	385.4*	-	385.4*	-	-	-	-	-	-	-
Reseal loan storage payments .....	110.1	63.8	39.4	-	-	6.9	-	-	-	-
Other .....	65.7	.1	.3*	-	-	.1	-	53.6	.1*	12.3
Rounding .....	-2	-	-1	-	-	-	-	-	-	-1
Total, program costs .....	3,577.2	1,601.8	715.6	908.9	34.9	9.2*	179.1	66.3	22.0	57.8
<b>Nonprogram Costs:</b>										
Interest (net):										
Support and related .....	415.2									
Short-term export credit sales ..	4.9									
Administrative and nonadministrative .....	60.7									
Total, nonprogram costs .....	480.8									
Total, realized losses .....	4,058.0									

<sup>a</sup> Other commodities and programs include dry edible beans, flaxseed, extra long staple cotton, cotton products, cottonseed oil, tung oil, linseed oil, soybean products, castor oil, rosin, tobacco, rye, honey, blended food products, livestock feed program, supply program, exchange commodities, offshore procurement premiums and administrative equipment.

<sup>h</sup> Includes Section 709 donations (\$3.1 million).

<sup>g</sup> Less than \$50,000.

\* Denotes gain or receipts.

Fiscal Year 1972 - Actual (Millions of dollars)

Item	Total	Feed grains and Products	Wheat and Products	Upland Cotton	Rice	Soy- beans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs a/
<u>Program Costs:</u>										
Gain* or loss on sales .....	2.3*	.4	24.1*	19.0*	2.8*	1.3*	25.5	14.9	1.4*	5.5
Donations .....	268.0	9.5	33.8	b/	10.3	-	177.1	b/	21.9	15.4
Storage and handling .....	121.3	53.7	50.4	.4	3.3	b/	3.9	1.3	b/	8.3
Transportation .....	67.2	20.7	31.7	b/	1.5	.1*	8.4	.2	.2	4.6
Commodity export payments .....	116.9	-	65.4	-	24.8	-	-	-	-	26.7
Set-aside payments .....	2,755.4	1,053.3	878.1	819.4	-	-	-	-	-	4.6
Wheat certificate sales .....	386.2*	-	386.2*	-	-	-	-	-	-	-
Reseal loan storage payments .....	78.7	51.3	26.9	-	-	.4	-	-	-	.1
Other .....	109.1	.7*	.5*	10.6	-	.8*	.1*	80.9	-	19.7
Total, program costs .....	3,128.1	1,188.2	675.5	811.4	37.1	1.8*	214.8	97.3	20.7	84.9
<u>Nonprogram Costs:</u>										
Interest (net):										
Support and related .....	277.6									
Short-term export credit sales ..	23.5*									
Administrative and nonadministrative	75.2									
Total, nonprogram costs .....	329.3									
Total, realized losses .....	3,457.4									

a/ Other commodities and programs include dry edible beans, flaxseed, extra long staple cotton, tung oil, linseed oil, castor oil, rosin, tobacco, rye, blended food products, peanut butter, livestock feed program, supply program, soybean products, offshore procurement premiums, and administrative equipment.

b/ Less than \$50,000.

\* Denotes gain or receipts.



Fiscal Year 1973 - Estimated (Millions of dollars)

Item	Total	Feed grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs <sup>a</sup>
<u>Program Costs:</u>										
Gain* or loss on sales .....	146.7*	38.7*	138.6*	-	.5*	-	8.1	21.5	3.6	2.1*
Donations .....	306.4	9.5	44.5	-	13.9	-	211.4	-	25.1	2.0
Storage and handling .....	71.2	37.0	27.1	b	.9	-	4.0	.6	y	1.6
Transportation .....	130.3	23.2	91.8	-	.9	-	4.5	.1	2.1	7.7
Commodity export payments .....	359.0	-	314.4	-	18.6	-	-	-	-	26.0
Set-aside payments .....	3,547.8	1,880.0	855.1	808.1	-	-	-	-	-	4.6
Wheat certificate sales .....	393.7*	-	393.7*	-	-	-	-	-	-	-
Reseal loan storage payments .....	100.3	64.0	35.7	-	-	-	-	-	-	.6
Other .....	130.7	.1	.1*	10.0	.1	-	.1	92.2	.1	28.2
Total, program costs .....	4,105.3	1,975.1	836.2	818.1	33.9	-	228.1	114.4	30.9	68.6
<u>Nonprogram Costs:</u>										
Interest (net):										
Support and related .....	304.3									
Short-term export credit sales ...	1.7									
Administrative and nonadministrative	71.5									
Total, nonprogram costs .....	377.5									
Total, realized losses .....	4,482.8									

<sup>a</sup> Other commodities and programs include dry edible beans, flaxseed, extra long staple cotton, tung oil, linseed oil, castor oil, soybean products, rosin, tobacco, rye, blended food products, peanut butter, livestock feed program, supply program, offshore procurement premiums, storage facilities, administrative equipment, and ARS research.

<sup>b</sup> Less than \$50,000.

\* Denotes gain or receipts.

Fiscal Year 1974 - Estimated (Millions of dollars)

Item	Total	Feed grains and Products	Wheat and Products	Upland Cotton	Rice	Soybeans	Dairy Products	Peanuts	Vegetable Oil Products	All Other Commodities and Programs
<b>Program Costs:</b>										
Gain* or loss on sales .....	25.5	9.3*	6.3	.5*	-	-	1.7	25.7	.6	1.0
Donations .....	290.4	7.4	36.7	-	11.5	-	212.8	-	22.0	-
Storage and handling .....	37.5	27.0	3.2	.1	.5	-	4.4	.6	1.4	1.7
Transportation .....	35.6	10.7	16.1	.1	1.6	-	4.0	.1	-	1.6
Commodity export payments .....	27.7	-	10.8	-	-	-	-	-	-	16.9
Set-aside payments .....	2,643.2	1,070.0	868.0	700.1	-	-	-	-	-	5.1
Wheat certificate sales .....	393.7*	-	393.7*	-	-	-	-	-	-	-
Reseal loan storage payments .....	47.2	46.7	-	-	-	-	-	-	-	.5
Other .....	124.8	-	-	10.0	-	-	-	-	-	-
Total, program costs .....	2,838.2	1,152.5	547.4	709.8	13.6	-	222.9	102.1	24.1	12.6
<b>Nonprogram Costs:</b>										
Interest (net):										
Support and related .....	182.6									
Short-term export credit sales ...	26.3*									
Administrative and nonadministrative	76.3									
Total, nonprogram costs .....	232.6									
Total, realized losses .....	3,070.8									

# Other commodities and programs include flaxseed, extra long staple cotton, tung oil linseed oil, castor oil, soybean products, rosin, tobacco, rye, blended food products, livestock feed program, supply program, offshore procurement premiums, administrative equipment, and storage facilities.

b/ Less than \$50,000.

\* Denotes gain or receipts.

## STATUS OF PROGRAM

### INTRODUCTION

The Commodity Credit Corporation carries out operations on a nation-wide basis, involving many agricultural commodities. These actions have economic impact on domestic and international markets. The Corporation makes loans on agricultural commodities; and barter agricultural commodities for materials, goods, services, and equipment. The purchases, sales, storage, handling, etc. of these commodities and materials involve many different trade practices. The Corporation endeavors to use normal trade facilities to the fullest practicable extent in its operations. Such facilities include commercial banks, growers' organizations, brokers, exporters, cooperative associations, warehousemen, and others.

Although ASCS, through its personnel and facilities, administers support operations, the programs are authorized and financed by the Corporation.

The principal activities carried out by the Corporation involve:

1. Support and related activities.
2. Commodity export activities.
3. Storage activities.
4. Supply and foreign purchase.
5. Acquisition and disposal.
6. Special activities.

### SUPPORT AND RELATED ACTIVITIES

#### Commodities Covered

ASCS administers support programs for wheat, corn, cotton (upland and extra long staple), peanuts, rice, tobacco, milk, wool, mohair, tung nuts, barley, oats, grain sorghum, rye, flaxseed, soybeans, dry edible beans, honey and crude pine gum.

#### Purpose of Loans

Support loans and purchases give farmers a ready means of promoting more orderly marketing, particularly in periods when bountiful harvest supplies threaten to push prices of farm commodities down to unfair levels. These inventories are, in turn, released into the market as needed to stabilize supplies and prices.

#### Technique for Administering Support Operations

Support is achieved through loans, purchases, and payments for selected commodities, at announced levels. Recent legislation is designed to make some export commodities more competitive in world markets by setting loan levels at world price levels. At the same time, income to growers is protected by supplementary payments, and -- in the case of wheat -- issuance of wheat marketing certificates which bring returns to participating growers to full parity on that portion used for domestic consumption.

Eligibility for support loans, purchases and payments for wheat marketing certificates is conditioned on compliance with program requirements for the particular commodity. Support loans to producers are "nonrecourse." With this type of loan, producers do not suffer any loss for any decline in the market price of the commodity they have put up as collateral. If market prices rise above support levels, producers can pay off their loans and market their commodity. If market prices fail to rise above support levels, producers can deliver the commodity to the Corporation, with appropriate adjustments for quality and quantity, and discharge their obligation in full.

For most commodities, loans are made directly to producers on the unprocessed commodity through ASCS county offices. Small amounts of some grains are also purchased from producers. Milk is supported through purchases of processed dairy products. Support on tobacco, peanuts, naval stores, and a part of the cotton crop is carried out through loans to producer cooperative associations that, in turn, make support available to producers.

#### Loan Period Availability

Loans are available for periods of six to eight months following harvest. Depending on the commodity, loans generally mature one to three months following the end of loan availability. Loans for cotton, however, mature one year after disbursement. Support purchases from producers are made at the time of loan maturity for the crop. In recent years, farmers also have been able to continue their loans on certain grains in farm storage beyond the first year, earning storage payments during the loan extension (reseal) period.

#### Loan and Purchase Volume - Fiscal Year 1972

Dollar volume of support extended through loans on 1971 crop production total \$2,680.8 million. However, acquisitions of commodities under loan amounted to \$157.1 million. Purchases of dairy products, products of wheat, corn and vegetable oils for donations and small purchases of grains on which loans are also made total \$766.5 million.

#### Wool and Mohair Program

The support for wool and mohair is accomplished through payments which, in combination with producers' marketing returns, brought their total return up to the support price on the average.

#### 1972 Set-aside Program

The Agricultural Act of 1970 authorized a set-aside program for the feed grains, wheat and cotton crops in 1972. Part of the support on corn, grain sorghum, barley, upland cotton, extra long staple cotton is provided by payments. For wheat, support is mostly by wheat marketing certificates as authorized by the Food and Agricultural Act of 1965, as amended by the Act of 1970.

#### 1973 Set-aside Program

The Agricultural Act of 1970 (PL 91-524) authorizes a set-aside program for the 1973 crops of feed grains, wheat and upland cotton. Producers must, as a condition of eligibility for loans, purchases, payments, and certificates (in the case of wheat) on such commodity, set aside and devote to approved conservation uses specified acreages of cropland and otherwise comply with program requirements.



Table I below itemizes direct payments made to producers by fiscal year (in millions of dollars):

Table I - Payments to Producers

Item	1968 Actual	1969 Actual	1970 Actual	1971 Actual	1972 Actual	1973 Estimate	1974 Estimate
Feed grains .....	832.2	1,427.3	1,268.1	1,503.6	1,053.3	1,880.0	1,070.0
Wheat .....	726.4	770.6	839.1	873.6	878.1	855.1	868.0
Cotton, upland and ELS ..	855.2	739.1	819.6	917.5	823.9	812.7	705.2
Subtotal .....	2,413.8	2,937.0	2,926.8	3,294.7	2,755.3	3,547.8	2,643.2
Wool and mohair <sup>a</sup> .....	69.4	65.1	52.6	71.9	112.8	57.5	36.6
Total payments .....	2,483.2	3,002.1	2,979.4	3,366.6	2,868.1	3,605.3	2,679.8
Wheat certificates sold to processors .....	-384.3	-387.5	-389.4	-385.4	-386.2	-393.7	-393.7
Net payments .....	2,098.9	2,614.6	2,590.0	2,981.2	2,481.9	3,211.6	2,286.1

<sup>a</sup> Further details for "National Wool Act" are contained in this volume of explanatory notes.

Table II below itemizes summary of support and related operations (millions of dollars):

Table II - CCC loan, inventory, and related activities:

	1972 Actual	1973 Estimate	1974 Estimate
Support and Related:			
Loan Activity: (Including storage facilities)			
Loans outstanding, beginning of year .....	2,008.3	2,486.3	1,833.7
Loans made .....	2,801.1	2,035.0	2,316.0
Loans repaid .....	2,082.9	2,439.0	2,066.2
Collateral acquired .....	157.1	152.3	173.4
Write-offs .....	81.4	95.9	103.1
Transfers to accounts receivable .....	1.7	.4	.4
Loans outstanding, end of year .....	2,486.3	1,833.7	1,806.6
Inventory Activity:			
Inventory, beginning of year .....	1,207.9	1,090.1	382.4
Purchases .....	766.5	639.5	554.7
Collateral acquired .....	157.1	152.3	173.4
Loan collateral settlements and overdeliveries ...	23.0	27.8	22.9
Processing, packaging, etc. ....	4.0	7.4	4.6
Storage and handling (including depreciation) ....	(121.3)	(74.9)	(37.4)
Transportation .....	(67.2)	(130.3)	(35.6)
Transfers (net) .....	-3.8	4.1	--
Cost of sales .....	796.6	1,232.4	425.9
Donations .....	268.0	306.4	290.4
Inventory, end of year .....	1,090.1	382.4	421.7
Payments to producers (gross) (excludes wool) .....	2,755.3	3,547.8	2,643.2
Realized loss .....	3,457.4	4,482.8	3,070.8
Investment in agricultural commodities .....	3,379.5	1,949.6	2,019.6

## COMMODITY EXPORT ACTIVITIES

In order to maintain the U.S. share in foreign trade and to stimulate exports, the Corporation makes export payments to exporters. Payments during FY 1972 totaled \$116.9 million representing the difference between the higher domestic price and the world price.

Under authority of the Corporation charter and Sec. 4 of the Food for Peace Act of 1966, a short-term export credit sales program makes available commercial sales of agricultural commodities on a deferred payment basis for periods up to a maximum of three years. Interest is charged at a rate announced each month by the Corporation. All sales are made to U.S. exporters who pass the credit on to foreign buyers. An assurance of payments from U.S. or foreign banks is required.

From the beginning of this program in 1966 through June 30, 1972, sales of agricultural commodities have amounted to approximately \$2,179 million, including \$371 million in the fiscal year ending June 30, 1972. Principal repayments have totaled \$1,619 million through June 30, 1972 - including \$300 million in fiscal year 1972. As of June 30, 1972, balances due under this program amounted to \$582 million.

Under its charter authority, the Corporation plans to sell time drafts on the export credit sale receivables in the commercial financial market in 1973 and in 1974. These will be contingent liabilities guaranteed by the Corporation.

## STORAGE ACTIVITIES

The objectives of the Corporation in carrying out its storage program are:

- (1) Help producers finance storage facilities on their own farms, (2) make maximum use of commercial facilities in the storage of CCC-owned commodities, and (3) provide CCC-owned or operated facilities for storing CCC-owned commodities where privately owned facilities are inadequate.

### Government Storage

As of June 30, 1972, the Corporation owned bins having a storage capacity of about 295 million bushels made up of 71,610 individual structures. In the fiscal year 1972, 15,250 structures with a capacity of 70.8 million bushels were sold to farmers and nonprofit organizations.

### Commercial Storage

The Corporation has a uniform grain storage agreement under which it makes storage payments to commercial warehousemen storing grain for CCC in country, subterminal, and terminal elevators. The agreement specified a flat per-day storage rate for 7,700 grain warehouse facilities operating under the agreement. The facilities have a total capacity of 4.8 billion bushels. The Corporation has contracts with 668 commercial warehousemen in 16 States for the storage of Government-owned and loan cotton. Storage charges are paid at contract rates or at rates in the warehouseman's established tariff, whichever is less, and for reconcentrated cotton, at the standard rates, tariff rates, or special offer rates, whichever is the least. Delivery or outhandling charges are paid at the standard rate and those for other services at the tariff or at special offer rates, whichever is less.

The Corporation also has storage contracts with commercial warehouses for other commodities. Rates are prescribed in the contracts or are negotiated with individual warehousemen. Storage and handling charges in the fiscal year 1972 were \$121.3 million. Related transportation costs were \$67.2 million.

### Farm Storage

The resale loan program permits farmers to extend their support loans beyond the first year on specified commodities for specified periods and receive storage payments. Such payments to farmers in the fiscal year 1972 amounted to \$78.7 million.

In accordance with announcements made on December 11, 1972 and January 11, 1973, resale loans will not be available for the following grains and crop years: (1) wheat - 1968, 1969, 1970, 1971, 1972-crop farm-stored and 1970, 1971, 1972-crop warehouse-stored; (2) corn - 1969, 1970, 1971-crop farm-stored and 1971-crop warehouse-stored; (3) barley - 1968, 1969, 1970, 1971-crop farm-stored; (4) oats-1968, 1969, 1970, 1971-crop farm-stored; (5) grain sorghum - 1969, 1970, 1971-crop farm-stored and 1971-crop warehouse-stored; (6) rye - 1971-crop farm-stored, and (7) soybeans - 1972-crop farm or warehouse-stored. The decision on extending farm-stored loans on 1972-crop feed grains (corn, grain sorghum, barley and oats) has been deferred.

Loans made for the construction of farm storage facilities during 1972 totaled \$120.3 million for a capacity of 251.2 million bushels.

Effective December 13, 1972, program changes reflecting a lessening of need for on-farm grain storage space were instituted. Major changes were making ineligible loans for oxygen-limiting and other silo-type structures, and an increase in the interest rate charged from 5-1/2 percent annually to 6 percent annually. This new rate reflects increased borrowing costs to CCC.

### SUPPLY AND FOREIGN PURCHASE

Pursuant to sections 5(b) and (c) of its charter act, and section 4 of the act of July 16, 1943 (15 U.S.C. 713a-9), the Corporation is authorized to procure agricultural commodities in the U.S. and abroad for U.S. and foreign governmental agencies and entities.

### ACQUISITION

The Corporation acquires stocks of various farm products as a result of its support activities. Such acquisitions result from purchases from producers and processors as noted earlier, and collateral acquisitions arising from loan operations. The inventory, though down from levels of a few years ago, is substantial. Its acquisition-cost value on June 30, 1972, was \$1,090 million, compared with \$7,233 million as of June 30, 1960, when surpluses of many commodities were moving toward peak levels. This is a reduction of 85%.

### DISPOSAL

#### Authorities

The following authorities provide the basis for disposition of support inventories:

1. Section 407 of the act of September 1, 1954, as amended (5 U.S.C. 1712-1),
2. Public Law 480, as amended,
3. Barter of agricultural commodities (Title II of the Agricultural Act of 1956, as amended, 7 U.S.C. 1856),
4. Grain for migratory waterfowl feed (PL 84-654) and resident game birds (PL 87-152),
5. Disaster livestock feed program (PL 86-299 and 87-127),
6. Donations--Sec. 202, 210, 407, and 416 of the Agricultural Act of 1949,
7. Payment-in-kind - domestic, PL 87-5, Sec. 124 and 133 of the Agricultural Act of 1961, the Agricultural Act of 1964,
8. The Food and Agriculture Act of 1965, PL 89-321,
9. Exports - CCC Charter Act, and Food for Peace Act of 1966, as amended,
10. Sec. 32 of PL 74-320, as amended,
11. Sec. 203 of the Agricultural Act of 1956, as amended (7 U.S.C. 1853),
12. Mutual Security Act of 1954, as amended, Sec. 402 (22 U.S.C. 1922), and
13. Agricultural Act of 1970, PL 91-524.



Donations for Domestic Relief

Laws permit the Corporation to donate food stocks acquired under its programs to specified groups of outlets when necessary to prevent waste of such stocks.

Summary of Dispositions

The Corporation has been able to move substantial quantities of farm commodities into useful channels, both at home and abroad. The value (at acquisition cost) of commodities removed from CCC inventories in the fiscal year 1972 was \$1,065 million of which \$798.9 million was received from sales proceeds, CCC dispositions estimated for fiscal year 1973 reflect drawdown of CCC stocks, primarily feed grains and wheat, due to sharp increases in exports including the sales to U.S.S.R. and China.



The following table shows value of commodities disposed of during FY 1972:

Type of Disposition	Fiscal Year 1972	
	Cost Value (Thousands)	Proceeds of dollars)
Sales for Dollars:		
Domestic .....	101,387	90,256
Export .....	210,617	176,653
Payment in Kind:		
Unrestricted use .....	53,212	74,854
Barter (export) .....	480	558
Public Law 480 (export):		
Title II .....	379,659	404,972
Donations:		
Domestic .....	267,974	--
Transfers to Other Government Agencies:		
Domestic (Includes Section 32) .....	48,083	48,181
Export .....	1,579	1,240
Inventory Adjustments and Other Recoveries		
Domestic .....	1,575	2,168
Subtotal:		
Domestic dispositions .....	472,231	215,459
Export dispositions .....	592,335	583,423
TOTAL DISPOSITIONS .....	1,064,566	798,882

Explanation of Dispositions:

Domestic Commercial Sales

For unrestricted use - Commodities acquired under support can be sold for unrestricted use domestically only at certain prices which are not below certain minimums prescribed by law. There are no similar minimums on sales of nonstorables.

For restricted uses - Commodities may be sold for restricted uses or outlets at less than the minimums prescribed by law. These uses would include net or byproduct uses, peanuts and oilseeds sold for extraction of oil, commodities which have substantially deteriorated in quality, or which are in danger of loss or waste, etc.

Export Commercial Sales

For many years, the Corporation has had authority to sell commodities for export without complying with minimum prices applicable to domestic sales.

## SPECIAL ACTIVITIES

The Corporation finances activities pursuant to specific provisions of law, other than special activities for which specific annual appropriations are made.

These activities are:

1. Military housing (barter and exchange). During 1957, \$50 million of CCC-owned surplus commodities were exchanged for construction of military housing in France. Costs incurred under this program represent the Corporation's investment in the commodities exchanged. Under a long-term agreement with the Department of Defense, \$2 million was applied in fiscal year 1972 against the amount due under the French housing and \$2 million will be applied in each year. The Corporation's investment in French military housing at June 30, 1972, was \$23,951,000. The agreement between CCC and Department of Defense also provides that upon sale of any of the housing the Corporation will receive the proceeds.
  2. Grain for migratory waterfowl (PL 87-152, 7 U.S.C. 442-445). Grain acquired by CCC considered to be unfit for human consumption is furnished to the Department of Interior upon its request to feed migratory waterfowl to prevent damage of crops. Funds are appropriated to the Department of Interior to reimburse CCC for this program.
  3. Surplus grain for migratory birds (PL 87-152, 7 U.S.C. 448). The Secretary of Interior may requisition grain from CCC to feed starving migratory birds. Funds are appropriated to the Department of Interior to reimburse CCC for this program.
  4. Research to increase domestic consumption of farm commodities. The Department of Agriculture and Related Agencies Appropriation Act of 1964, Public Law 88-250, authorized the transfer of not more than \$16 million from the appropriation, Removal of surplus agricultural commodities (Sec. 32) to the Corporation. These funds are to increase domestic consumption of surplus farm products. The Act also provided for further transfers not in excess of \$25 million in any one year as may be approved by Congress. The 1965 appropriation act authorized the transfer of \$12,175,000 of Section 32 funds for this purpose.
- The Corporation transfers such funds to the Agricultural Research Service and Cooperative State Research Service to conduct the required research and for constructing and equipping research facilities. At the close of fiscal year 1972, 98% of Sec. 32 funds available for this purpose had been transferred.
5. Transfer of long-staple cotton from national stockpile for sale by CCC. This cotton was transferred at no cost to CCC. Sales proceeds less administrative expenses and transportation and maintenance costs incurred in financing sales, were covered into the Treasury as miscellaneous receipts. All foreign grown stockpile cotton was sold for export by December 1966. All domestically grown cotton was sold by June 30, 1970. During fiscal year 1971 this program was completed by final payment of net proceeds to the Treasury.
  6. Loan to Secretary of Agriculture for conservation purposes. Loans are made to the Secretary in advance of appropriations for the Rural Environmental Assistance Program to purchase conservation materials and services. A loan of \$35.0 million by CCC and repayments to CCC of prior year loan of \$27.2 million and current year loan of \$35.0 million were made in fiscal year 1972.
  7. Purchases of dairy products under Sec. 709 of the Food and Agricultural Act of 1965. The Corporation, on behalf of the Secretary, purchases at market prices dairy products which are donated to meet the requirements for schools, domestic relief distribution, community action programs, and other programs as are authorized by law, when there are insufficient stocks of such products in the hands of the Corporation available for such purposes. During fiscal year 1971 purchases of cheese amounted to \$3.1 million. No purchases were made in fiscal year 1972 and none are currently anticipated.

## EXPENSES

Expenses of acquisition, operation, maintenance, improvement, or disposition of property which the Corporation owns or in which it has an interest have been treated as program rather than administrative expenses. Such expenses include inspection, classing, and grading work performed on a fee basis by Federal employees or Federal or State licensed inspectors and work performed on a contract or fee basis by Agricultural Stabilization and Conservation County Committees. Capital funds of the Corporation are transferred to the appropriation, Salaries and Expenses, Agricultural Stabilization and Conservation Service, as indicated under that appropriation item for operating expenses relating to the Corporation's programs. Also, expenses of other Federal agencies whose services are used in the handling of Corporation property are treated as program expenses.

ASCS is planning the acquisition and installation of an advanced computer system containing a centralized data base of farm producer and ASCS farm program information, with on-line terminals in Washington and field offices. The equipment and software required for this new system will represent capital investments under the statutory authority of the Commodity Credit Corporation. It is contemplated that equipment will be delivered in fiscal year 1975. If ASCS leases the computer, rather than purchasing it, the additional cost would be shown in "Limitation on Administrative Expenses, CCC".

Interest on borrowings from the Treasury (and on capital stock) is paid at a rate based upon the average interest rate on all outstanding marketable obligations (on comparable maturity date) of the United States as of the preceding month. Interest is also paid on certificates of interest and lending agency obligations for the period the agencies have their funds invested.

The Department of Agriculture and Related Agencies Appropriation Act, 1966, made provision for terminating interest after June 30, 1964, on the portion of the Corporation's borrowings from the Treasury equal to the unreimbursed realized losses recorded on the books of the Corporation after June 30 of the fiscal year in which such losses are realized.

## FINANCING

### Borrowing Authority

The borrowing authority of the Corporation at June 30, 1972 of \$14,500 million was authorized by Public Law 864, 84th Congress, approved August 1, 1956. The Corporation reserves a sufficient amount of the borrowing authority to purchase at any time all loans and other obligations held by financial institutions under the Corporation's programs.

Under its charter authority, the Corporation plans to sell time drafts on the export credit sale receivables in the commercial financial market. There will be contingent liabilities guaranteed by the Corporation and will require sufficient reservation of its borrowing authority.

As of June 30, 1972, the Corporation had in use \$11,501.0 million of the \$14,500.0 million authorized. This left a statutory borrowing authority available of \$2,999.0 million.

During fiscal year 1972, the Corporation's borrowings from the Treasury aggregated \$6,422.3 million and during the same year \$6,898.5 million was repaid from appropriations received and receipts from operations.



Reimbursement for Net Realized Losses

During fiscal year 1972, the Corporation received \$4,213.3 million for reimbursement of 1970 losses. As of June 30, 1972, there were unrestored realized losses as follows:

<u>Year</u>	<u>(Millions)</u>
1971 .....	\$4,058.0
1972 .....	<u>3,457.4</u>
Total .....	<u>7,515.4</u> =====

These losses are financed by the Corporation's borrowing authority until reimbursed by appropriation.

The Agriculture-Environmental and Consumer Protection Appropriation Act of 1973 included \$4,058.0 million to reimburse the Corporation for the 1971 losses. The 1974 budget request of \$3,457.4 will reimburse the Corporation for actual losses for 1972.



(b) Limitation on Administrative Expenses

Appropriation Act, 1973 .....	\$39,900,000
Budget Estimate, 1974 .....	<u>41,800,000</u>
Increase in Limitation .....	<u>+1,900,000</u>

SUMMARY OF INCREASES

	<u>1973</u>	<u>Program Changes</u>	<u>1974 Estimate</u>
Transfer to:			
"Salaries and Expenses, Agricultural Stabilization and Conservation Service". \$30,347,000		+\$1,638,000	\$31,985,000
Allocation to Agricultural Marketing Service .....	2,857,000	+184,000	3,041,000
Allocation to Export Marketing Service ...	3,830,000	--	3,830,000
Contingency Reserve .....	<u>2,866,000</u>	<u>+78,000</u>	<u>2,944,000</u>
Total available or estimate .....	<u>39,900,000</u>	<u>+1,900,000</u>	<u>41,800,000</u>

The amounts shown below for 1974 reflect the total funds proposed to be used for the administrative expense of the Commodity Credit Corporation and are proposed to be advanced as indicated. An explanation of the funds required for 1974 is shown as a part of the budget requests of the respective agencies.

Project Statement

Project	1972	1973 Estimated	Program Changes	1974 Estimated
Transfer to:				
"Salaries and Expenses, Agricultural Stabilization and Conservation Service".....	\$33,386,000	\$30,347,000	+\$1,638,000	\$31,985,000
Agricultural Marketing Service .....	2,800,000	2,857,000	+184,000	3,041,000
Export Marketing Service ....	3,797,000	3,830,000	--	3,830,000
Unobligated balance .....	217,000			
Contingency reserve .....		2,866,000	+78,000	2,944,000
Total available or estimate ...	40,200,000	39,900,000	+1,900,000	41,800,000



(c) National Wool Act

Appropriation Act, 1973 .....	\$66,696,700
Budget Estimate, 1974 .....	<u>63,000,000</u>
Decrease in appropriation .....	<u>-3,696,700</u>

PROJECT STATEMENT

Item	1972	1973 Estimate	Decrease	1974 Estimate
Reimbursement to Commodity Credit Corporation for expenditures under the National Wool Act (available or estimate) .....	\$75,430,447	\$66,696,700	(1) -\$3,696,700	\$63,000,000

(1) A decrease of \$3,696,700 in the appropriation to reimburse the Commodity Credit Corporation.

Commodity Credit Corporation funds are used to operate the wool incentive and mohair support program. The Corporation is reimbursed for the program costs by a permanent appropriation which is limited to 70 percent of all duties collected on wool and wool manufactures during the preceding calendar year. Estimated costs for fiscal year 1973 are \$63,460,000. However, because of the reduction of customs receipts in 1972 calendar year, the 70% limits the appropriation to \$63,000,000. The balance will be carried forward and paid to CCC from subsequent appropriations. The following shows the estimated duties collected and amount available for reimbursement;

<u>Item</u>	<u>1973 Estimate</u> (1971 Calendar Year)	<u>1974 Estimate</u> (1972 Calendar Year)
Total duties collected in the applicable calendar year .....	\$95,281,000	\$90,000,000
70% of duties collected, representing maximum available for reimbursement to CCC .....	66,696,700	63,000,000
Appropriation or estimate to reimburse CCC .....	<u>66,696,700</u>	<u>63,000,000</u>

The 1973 appropriation covers reimbursement for fiscal year 1972 expenditures relating to marketings in the 1971 calendar year. The 1974 appropriation estimate covers fiscal year 1973 estimated expenditures relating to marketings in the 1972 calendar year. The following table compares the program levels for the two years.

<u>Item</u>	<u>1973 Estimate</u> (Fiscal Year 1972 Expendi- tures)	<u>Increase</u> or <u>Decrease</u>	<u>1974 Estimate</u> (Fiscal Year 1973 Expendi- tures)
Payments to producers:			
Shorn wool .....	\$85,566,463	-\$36,366,463 (1)	\$49,200,000
Unshorn lambs .....	17,244,570	-8,944,570 (2)	8,300,000
Mohair .....	<u>9,955,724</u>	<u>-9,955,724 (3)</u>	<u>- -</u>
Total payments .....	112,766,757	-55,266,757	57,500,000
Operating expenses .....	2,475,000	- -	2,475,000
Interest expense .....	<u>1,303,649</u>	<u>+2,181,351 (4)</u>	<u>3,485,000</u>
Total .....	<u>116,545,406</u>	<u>-53,085,406</u>	<u>63,460,000</u>

(1) A decrease of \$36,366,463 in shorn wool payments (available \$85,566,463 in 1973 estimate). This results from a decrease of 19.6¢ per pound in the payment rate due to an estimated increase in the average market prices received by producers. Marketings also decreased by 19.7 million pounds during 1972.

(2) A decrease of \$8,944,570 in payments on unshorn lambs (available \$17,244,570 in 1973 estimate). This results from an increase in estimated market prices to be received by producers, thus reducing the payment rate from \$2.104 to \$1.32 per cwt.

(3) A decrease of \$9,955,724 in mohair payments (available \$9,955,724 in 1973 estimate). This decrease is due to estimated market prices being above the support price of 80.2 cents per pound.

(4) An increase of \$2,181,351 in interest expense (available \$1,303,649 in 1973 estimate). This is the result of a balance of \$49,848 thousand carried forward from 1972 expenditures not reimbursed in 1973 fiscal year.



# STATUS OF PROGRAM

The wool and mohair payment program administered by the Agricultural Stabilization and Conservation Service is required by the National Wool Act of 1954, as amended. The Act, which has been extended several times, was extended by the Agricultural Act of 1970 (P.L. 91-524) to cover marketings through December 31, 1973. The 1970 Act also sets the support price for each of the next three years at 72 cents per pound for shorn wool and 80.2 cents per pound for mohair.

Payments are made on marketings during each calendar year of shorn wool, unshorn lambs (to compensate producers for the wool on them) and mohair. The payments are made beginning in April for marketings during the previous year at a rate approximating the difference between the support and the national average price received by producers.

To encourage producers to do a good job of marketing their wool and to receive the best possible price in the market, a percentage of actual price received by the producer is used as payment rate rather than making a uniform flat payment per pound of wool. The higher the market price the producer obtains, the greater the incentive payment that he will receive.

Payments, initially financed by CCC, are made to eligible producers through the Agricultural Stabilization and Conservation Service county offices. Total payments under the Act are limited to 70 percent of the accumulated gross receipts from import duties collected on and after January 1, 1953, on wool and wool manufactures.

The following table shows amounts collected and available for payments:

<u>Item</u>	Fiscal Year 1972 (1971 Marketing Year) (Actual)	Fiscal Year 1973 (1972 Marketing Year) (Estimate)	Fiscal Year 1974 (1973 Marketing Year) (Estimate)
Available for payments, 70% of duties collected:			
Cumulative from Jan. 1, 1953	\$1,478,644,787	\$1,541,644,787	\$1,615,144,787
Cumulative payments to producers .....	<u>908,966,708</u>	<u>966,466,708</u>	<u>1,003,066,708</u>
Balance available, end of year .....	<u>569,678,079</u>	<u>575,178,079</u>	<u>612,078,079</u>

The Act provides that the Corporation will be reimbursed for payments to producers and operating costs from the permanent appropriation. The amounts appropriated for any fiscal year shall not exceed 70 per centum of the duties collected during the period January 1 to December 31 preceding the beginning of each such fiscal year.

## Promotion Activities

A "self-help" program for advertising, promotion, and related market development activities is authorized, if approved by producers, by Section 708 of the Act. In a referendum in June 1971, wool and lamb producers approved a new three-year agreement between the Secretary and the American Sheep Producers Council, Inc. The agreement authorizes deductions from payments to finance the program. In July 1971, mohair producers approved a similar agreement authorizing deductions from payments to advertise and promote mohair. Under both agreements, deductions from payments began in fiscal year 1972, when payments on 1971 marketings were made and will continue through the agreement period.

# Costs

Costs incurred under this program include payments, operating and interest costs.

The following tables show (1) the basis of the estimates for the fiscal years 1972, 1973, and 1974; (2) historical cost data for the wool program; and (3) the distribution of payments, by States, for the 1971 marketing year.

## EXPENDITURES AND REIMBURSEMENTS TO CCC UNDER THE NATIONAL WOOL ACT

Item	Fiscal Year 1972 (1971 Marketing Year) (Actual)	Fiscal Year 1973 (1972 Marketing Year) (Estimated)	Fiscal Year 1974 (1973 Marketing Year) (Estimated)
Volume of Marketing:			
Pounds of shorn wool .....	168,800,000	149,100,000	141,300,000
Hundredweight, unshorn lambs ..	6,400,000	6,300,000	6,300,000
Pounds of mohair .....	19,800,000	- -	- -
Incentive or Support Level:			
Price per lb. of wool (cents) .	72.0	72.0	72.0
Price per lb. of mohair (cents)	80.2	80.2	80.2
Percent of parity - wool .....	73.4	70.6	66.5
Percent of parity - mohair ....	64.2	63.7	63.3
Payments under Act - Rates:			
Shorn wool per pound (cents) ..	52.6	33.0	22.0
Unshorn lambs, cwt. (dollars) .	2.10	1.32	.88
Mohair, per pound (cents) .....	50.1	- -	- -
Amount of payments:			
Shorn wool .....	85,566,463	49,200,000	31,100,000
Unshorn lambs .....	17,244,570	8,300,000	5,500,000
Mohair .....	9,955,724	- -	- -
Total payments .....	112,766,757	57,500,000	36,600,000
Operating expenses .....	2,475,000	2,475,000	2,475,000
Interest expense .....	1,303,649	3,485,000	3,229,000
Current year expenditures .....	116,545,406	63,460,000	42,304,000
Unrecovered balance, prior years.	75,430,447	116,545,406 <u>2/</u>	113,308,706 <u>3/</u>
Total cumulative unrecovered balance .....	191,975,853	180,005,406	155,612,706
Reimbursement to CCC (70% of preceding calendar year duty collections) .....	75,430,447 <u>1/</u>	66,696,700 <u>2/</u>	63,000,000 <u>3/</u>
Unrecovered balance, end of year.	116,545,406	113,308,706	92,612,706

1/ Reimbursement limited to actual expenditures of preceding fiscal year and prior fiscal year amounts not previously reimbursed.

2/ The amount of \$66,696,700 (70% of \$95,281,000 duty collections) can only be appropriated for reimbursement. Therefore, \$49,848,706 in program costs remain unreimbursed.

3/ The amount of \$63,000,000 (70% of \$90,000,000 duty collections) can only be appropriated for reimbursement. Therefore, \$50,308,706 in program costs remain unreimbursed.

Cost of Wool Programs Financed by  
Commodity Credit Corporation

Year	National Wool Act Payment Program (Fiscal Year)	Gross Receipts from Duties Collected on Wool and Wool Manu- factures (Calendar Year)	70% of Duties Collected on Wool and Wool Manufactures Available for Payments (Calendar Year)
1953		\$75,768,963	\$53,038,273
1954		56,635,765	39,645,036
1955	\$187,684	69,930,183	48,951,128
1956	2,020,975	74,694,145	52,285,902
1957	61,292,352	67,233,972	47,063,780
1958	57,182,448	71,500,447	50,050,313
1959	20,025,827	95,985,584	67,189,909
1960	92,653,681	107,539,419	75,277,593
1961	60,886,812	98,806,944	69,164,861
1962	65,347,054	128,827,847	90,179,493
1963	63,164,602	132,071,019	92,449,713
1964	73,203,933	113,323,654	79,326,558
1965	22,577,216	173,538,080	121,476,656
1966	38,260,163	158,357,675	110,850,372
1967	34,792,675	138,500,000	96,950,000
1968	72,451,002	168,000,000	117,600,000
1969	67,892,514	152,866,000	107,006,200
1970	56,272,766	133,489,000	93,442,300
1971	75,430,447	95,281,000	66,696,700
1972	116,545,406	90,000,000 <sup>1/</sup>	63,000,000 <sup>1/</sup>
Subtotal	980,187,557	2,202,349,697	1,541,644,787
1973 <sup>1/</sup>	63,460,000	105,000,000	73,500,000
1974 <sup>1/</sup>	42,304,000	110,000,000	77,000,000
Total	1,085,951,557	2,417,349,697	1,692,144,787

<sup>1/</sup> Estimated.

Note: Excludes \$116 million losses by CCC on commodity loan and inventory operations prior to National Wool Act.



## Producers earning incentive payment, and amount of payments

State	Shorn wool		Producers earning payment		Unshorn lambs		Total payments		Promotion fund deduction	
	Producers	Net weight marketed	Number	Dollars	Producers	Net weight marketed	Computed payments	Dollars	Dollars	Dollars
	Number	1,000 lbs.			Number	1,000 lbs.				
Ala.....	47	12	---	6,895	20	57	1,201	8,096	223	
Alaska.....	2	220	---	110,560	---	---	---	110,560	3,295	
Ariz.....	4,719	3,849	2,061	1,477,806	13,175	13,175	260,410	1,738,216	65,174	
Ark.....	125	33	73	15,136	73	168	3,513	18,649	614	
Calif.....	2,568	14,400	1,268	6,704,797	1,268	75,298	1,442,737	8,147,534	252,790	
Colo.....	2,163	13,166	2,124	5,122,312	2,124	110,266	1,469,419	6,591,731	212,988	
Conn.....	130	28	20	23,019	20	26	538	23,557	442	
Del.....	19	4	18	2,927	18	31	644	3,571	84	
Fla.....	32	13	7	8,808	41	41	851	9,659	220	
Ga.....	59	15	15	10,260	---	---	---	11,161	263	
Hawaii.....	---	---	---	---	---	---	---	---	---	
Idaho.....	2,070	7,247	1,968	4,499,538	1,968	90,349	1,331,780	5,831,318	151,801	
Ill.....	9,956	1,940	6,556	1,194,354	6,556	12,678	242,636	1,436,990	37,089	
Ind.....	8,579	1,616	5,613	1,083,904	5,613	9,639	198,523	1,282,427	31,132	
Iowa.....	16,148	5,124	10,083	2,811,681	10,083	33,084	571,601	3,383,282	87,705	
Kans.....	2,761	2,655	2,565	870,610	2,565	20,734	403,921	1,274,531	51,488	
Ky.....	1,150	415	1,034	269,127	1,034	4,461	92,944	362,071	9,539	
La.....	347	94	13	47,020	13	29	602	47,622	1,426	
Maine.....	434	96	101	93,538	101	221	4,632	98,170	1,589	
Md.....	416	111	332	85,437	332	690	14,472	99,909	2,181	
Mass.....	294	43	32	36,136	32	50	1,045	37,181	685	
Mich.....	3,247	1,531	2,255	995,723	2,255	7,836	157,331	1,153,054	27,481	
Minn.....	9,270	3,376	6,904	1,947,977	6,904	26,012	458,545	2,406,522	63,259	
Miss.....	103	36	37	19,867	37	95	1,991	21,858	611	
Mo.....	5,030	1,598	3,876	976,918	3,876	9,816	200,330	1,177,248	30,553	
Mont.....	2,883	8,717	2,946	4,999,017	2,946	53,161	1,020,522	6,019,539	163,345	
Nebr.....	3,318	2,531	2,774	1,061,636	2,774	21,267	285,294	1,346,930	42,653	
Nev.....	114	2,530	90	1,181,544	90	6,130	120,126	1,301,670	42,160	
N. H.....	206	32	24	26,937	24	44	933	27,870	509	
N. J.....	252	47	39	35,275	39	33	808	36,083	726	
N. Mex.....	2,195	7,188	1,841	2,989,701	1,841	17,542	355,467	3,345,168	111,649	
N. Y.....	1,414	591	761	477,217	761	2,541	50,947	528,164	10,377	
N. C.....	372	70	214	59,214	214	384	7,962	67,176	1,332	
N. Dak.....	3,156	2,853	2,890	1,736,344	2,890	20,624	357,637	2,093,981	53,443	
Ohio.....	13,420	4,746	9,056	2,933,010	9,056	25,465	504,361	3,437,371	85,597	
Okla.....	1,308	987	3,377	337,674	3,377	5,464	109,740	447,414	18,212	
Oreg.....	4,017	4,032	3,280	2,862,135	3,280	23,361	448,316	3,310,451	73,886	
Pa.....	3,388	883	2,187	667,631	2,187	4,559	92,765	760,396	16,452	
P. R.....	---	---	---	---	---	---	---	---	---	
R. I.....	56	8	2	6,337	2	2	42	6,579	121	
S. C.....	15	5	4	3,626	4	4	92	3,718	78	
S. Dak.....	8,054	9,590	7,444	5,499,877	7,444	76,278	1,303,136	6,803,013	185,868	
Tenn.....	869	158	799	115,544	799	1,779	36,383	151,927	3,663	
Texas.....	11,222	34,384	8,422	14,687,741	8,422	115,547	2,344,038	17,031,779	582,150	
Utah.....	3,276	10,256	2,703	5,048,014	2,703	74,780	1,179,386	6,227,400	192,242	
Vt.....	105	32	23	28,684	23	95	1,878	30,562	542	
Va.....	3,454	891	3,275	845,590	3,275	13,916	244,146	1,089,736	22,044	
V. I.....	---	---	---	---	---	---	---	---	---	
Wash.....	1,198	1,504	898	722,945	898	8,644	167,789	890,734	23,720	
W. Va.....	4,068	789	3,796	706,477	3,796	9,448	194,139	900,616	18,726	
Wis.....	3,398	935	2,324	582,953	2,324	6,644	125,890	708,843	18,339	
Wyo.....	2,161	17,380	2,064	8,994,001	2,064	74,860	1,432,206	10,426,207	305,144	
Total.....	143,588	168,761	106,661	85,023,674	106,661	977,626	17,244,570	102,268,244	3,005,609	



1971 Mohair Program: Producers earning incentive payment, and amount of payments

State	Producers earning payment	Net weight marketed	Computed payments	Promotion fund deduction	Paid producer
	Number	1,000 lbs.	Dollars	Dollars	Dollars
Ala.....	1	▲	18	1	17
Ariz.....	2,209	239	108,037	3,581	104,456
Ark.....	22	10	3,841	146	3,695
Calif.....	20	16	6,760	235	6,525
Colo.....	19	15	6,926	218	6,708
Fla.....	1	▲	76	3	73
Ga.....	2	▲	23	2	21
Idaho.....	1	▲	37	1	36
Ill.....	3	1	122	9	113
Iowa.....	4	1	295	11	284
Kans.....	9	1	299	14	285
Ky.....	1	▲	23	2	21
La.....	1	▲	38	2	36
Mich.....	1	1	157	9	148
Minn.....	1	▲	64	4	60
MO.....	118	41	16,969	621	16,348
Nebr.....	1	▲	24	2	22
N. Mex.....	746	120	51,808	1,794	50,014
Ohio.....	2	3	564	38	526
Okla.....	15	8	3,521	120	3,401
Oreg.....	68	20	6,835	295	6,540
Tenn.....	4	2	939	31	908
Texas.....	5,117	19,328	9,727,973	290,772	9,437,201
Utah.....	193	42	19,926	632	19,294
Va.....	1	1	253	12	241
Wash.....	1	▲	10	*	10
W. Va.....	7	1	186	8	178
Total.....	8,568	19,850	9,955,724 1/	298,563	9,657,161

▲ 500 pounds or less.

\* Less than 50 cents.

1/ Total Wool and Mohair payments shown above

= \$112,223,968

Unallocated payments and adjustments for period July 1, 1971-June 30, 1972 =

542,789

= \$112,766,757

Total payments



